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NOVEMBER, 1978

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Current History

NOVEMBER, 1978

VOL. 75, NO. 441

What changes have taken place recently in Japan's economic and political circumstances? Why are her trade relations with the United States and West Europe showing signs of serious strain? How is her relationship with China changing? Questions like these are explored in this issue. As our introductory article sees it, "It is obvious that American-Japanese relations have been strained by economic issues."

Japanese-American Relations

BY HIDEO SATO

Assistant Professor of Political Science, Yale University

THE closing months of 1976 appeared to signal a new beginning in United States-Japanese relations. In both Tokyo and Washington, new heads of government were elected. In the United States Jimmy Carter defeated incumbent President Gerald Ford in the November presidential election, and in Japan Takeo Fukuda succeeded Takeo Miki as Prime Minister in December. The emergence of these leaders gave rise to optimistic expectations in both capitals that American-Japanese relations, relatively uneventful after the stormy first few years of the 1970's, might see further improvement.

Unlike his Republican predecessors, Democratic President Carter was thought to be sensitive to the interests of the major ally of the United States in Asia, particularly because he had been an active member of the Trilateral Commission, an organization devoted to the solidarity of the United States, Japan and West Europe. This optimism was reinforced in January, 1977, when President Carter appointed other commission members to important policymaking positions in the new administration. The most prominent

of these appointees were Cyrus R. Vance, the new Secretary of State, Zbigniew Brzezinski, the President's National Security Adviser, and Michael Blumenthal, the new Secretary of the Treasury. For his part, Fukuda had long been regarded as one of the most powerful and most pro-American leaders in the ruling Liberal Democratic party, and his well-known economic expertise as a former Finance Ministry official was regarded useful in improving Japanese-American relations. Nevertheless, subsequent developments in bilateral relations belied this optimism.

In early 1977, a major policy difference over nuclear energy development emerged. Determined to prevent the further proliferation of nuclear weapons, the Carter administration called for a moratorium on the use of plutonium as a nuclear fuel and on the commercialization of fast breeder reactors. But Japan had been anxious to follow exactly that route to help solve her energy crunch. Especially annoying to Tokyo was the United States opposition to the operation of a recently constructed nuclear reprocessing plant at Tokai Mura in Ibaragi prefecture.¹ In the eyes of Japanese leaders, American opposition was seen as an expression of United States distrust of its Asian ally, which was unmistakably committed to the non-military use of nuclear energy because it was the only country that had experienced the horror of atomic bombs.²

Another disagreement surfaced with regard to Korea. Japanese officials were alarmed when it became clear in May, 1977, that President Carter intended to implement his campaign pledge to withdraw 32,000 American combat troops from South Korea over a

¹*Nihon Keizai Shimbun*, February 15 and May 4, 1977. Japan depends on the United States for most of her enriched uranium, and the United States retains veto power over the reprocessing of United States-supplied fuel under a 1958 bilateral agreement. For detailed information on the evolution of Japan's nuclear energy policy, see *Nihon Genshiryoku Sangyo Kaigi*, *Nihon no Genshiryoku: 15nen no Ayumi*, 3 vols. (Tokyo: Nihon Genshiryoku Sangyo Kaigi, 1971).

²It was only after several months of painstaking bilateral negotiations that the United States finally agreed in September, 1977, to allow a trial operation of the Tokai Mura plant for two years. *Nihon Keizai Shimbun*, September 9 and 13, 1977.

period of four to five years. Because the Japanese traditionally considered the Korean peninsula as "the dagger pointing at the heart of Japan," the Japanese government regarded the United States military presence in Korea as essential to the deterrence of hostilities in the area and to the defense of Japan herself. Coming as it did in the wake of the United States withdrawal from Indochina, the American decision to withdraw American forces from Korea cast further doubt on the credibility of the United States defense commitment to Asia.³

It was in the economic area, however, that bilateral tensions were most conspicuous. While Japan's much criticized trade surplus of \$4.1 billion in 1972 had been reduced to \$1.4 billion in 1973 and to \$1.7 billion in 1974 and 1975, it increased again to \$5.4 billion in 1976. Despite Prime Minister Fukuda's promise to reduce the gap in 1977, Japan's surplus in 1977 was as much as \$8.1 billion. As a result, protectionist pressure intensified in the United States and, according to one astute observer, "belaboring the Japanese" be-

³Yomiuri Shimbun, November 27, 1976; *Japan Times Weekly*, June 4, 1977. See also Richard G. Stilwell, "Korea: The Implications of Withdrawal," *Asian Affairs*, vol. 4, no. 5 (May/June, 1977), pp. 279-289; Ralph N. Clough, *Deterrence and Defense in Korea* (Washington, D.C.: The Brookings Institution, 1976).

⁴Robert C. Christopher, "They Try Harder," *The New York Times Magazine*, January 22, 1978, p. 27.

⁵Nihon Keizai Shimbun, May 21, 1977; United States-Japan Trade Council, *Trade Roundup*, no. 8, May 23, 1977.

⁶The United States imports 7.98 million tons of steel from Japan (14.3 million worldwide), its total steel imports accounting for about 14 percent of apparent domestic consumption in volume in 1976. *Nihon Keizai Shimbun*, July 9, 1977.

⁷On September 30, the United States Treasury Department made a preliminary determination in favor of an anti-dumping suit brought by Gilmore Steel against Japanese carbon steelmakers. The Japanese government (as well as the industry) complained that the Treasury's use of "constructed value" (direct production costs, plus a minimum of 10 percent for general expenses and 8 percent for profit) as a basis for comparison in dumping cases was arbitrary and contrary to the General Agreement on Tariffs and Trade (GATT) and the International Dumping Codes, both of which provide that the comparison should normally be made between export prices and home market prices. *The New York Times*, October 1, 1977; *Nihon Keizai Shimbun*, October 8, 1977; United States-Japan Trade Council, *Council Report*, no. 64 (October 13, 1977), pp. 5-6.

⁸This system, which was drawn up by the United States Treasury and went into effect in February, 1978, sets trigger or reference prices for a wide range of imported steel products (based on its estimated Japanese production cost and other expenses). Any foreign steel sales below these prices will be automatically challenged as violating existing U.S. laws against "unfair" trade practices.

⁹On March 1, 1978, for instance, America's largest steel producer, the United States Steel Corporation, withdrew a major anti-dumping suit against six Japanese steel producers.

¹⁰Nihon Keizai Shimbun, January 13 (evening edition) and January 14, 1978; *The New York Times*, January 14, 1978.

came "one of the most popular American pastimes."⁴

American criticism of specific Japanese imports first focused on color television sets in 1977. In 1976, Japan shipped 2.96 million color television sets to the United States, 2.4 times as many as she shipped the previous year, accounting for 35 percent of apparent American consumption in terms of the number of sets and 22 percent in terms of value. Under enormous domestic pressure for protection, the United States International Trade Commission ruled in March, 1977, that the rise in American imports of Japanese color television sets had been injurious to the American industry. After two months of intergovernment negotiations, Japan was obliged to limit her color television exports into the American market to 1.75 million sets per year for each of the next three years, beginning July 1, 1977.⁵

No sooner had the color television issue been set aside than steel emerged as another source of tension. The United States steel industry attacked a 37 percent increase in steel imports from Japan in 1976 over the previous year,⁶ demanding strict import restrictions and bringing numerous anti-dumping suits against Japanese steelmakers.⁷ The issue was barely prevented from developing into a major international confrontation last year when Japan (and the European Community) acquiesced in the so-called "reference price system"⁸ to control the price of steel imported to the United States. Although not fully satisfied with the arrangement, for the time being the United States steel industry has largely given up its efforts to seek more radical protective actions.⁹

In the meantime, United States pressure to open up the Japanese market was just as intense. In an atmosphere of increasing tension, intergovernmental efforts to reach a comprehensive bilateral trade liberalization agreement was initiated in September, 1977, but it was not until January, 1978, that agreement was finally reached. Japan agreed to reduce her current account surplus and to set a 7 percent economic growth target for fiscal 1978. She also agreed to take other actions to increase imports: to advance tariff reductions on \$2 billion worth of imports (effective April 1, 1978), to remove quota controls on 12 products, to increase the importation of beef by 10,000 tons on a global basis, to increase orange imports threefold to 45,000 tons and to increase the quota for citrus juice fourfold to 4,000 tons. The United States, on the other hand, agreed to "improve its balance of payments position by such measures as reducing its dependence on imported oil and increasing its exports, thereby improving the underlying conditions upon which the value of the dollar fundamentally depends." The United States also expressed confidence that an effective energy program would be enacted by the Congress within 90 days.¹⁰

The agreement seems to have averted further esca-

lation of a "trade war" between Japan and the United States but, as Japan's chief trade negotiator, Nobuhiko Ushiba warned, "The conclusion of the present negotiations is merely a temporary pause, and Japan has to expect that new economic issues will arise one after another from now on."¹¹ Much will depend on the extent to which Japan can actually implement the terms of the agreement. "There is a big difference," one United States diplomat noted, "between being able to promise something and being able to fulfill that promise."¹² It is not yet certain, although it is still probable, that Japan will in fact achieve her 7 percent growth target in fiscal 1978. Even if this growth target is attained, it is unlikely that Japan can reduce her current account surplus. According to a recent forecast made by Japan's Economic Planning Agency, Japan's overall trade surplus for 1978 will be about \$23 billion, compared with a 1977 surplus of \$17.3 billion. Another source estimates that on the basis of current trends Japan's trade surplus with the United States could well exceed \$10 billion for the first time, despite the never-ending plunge of the dollar.

The United States, for its part, has not yet substantially reduced its importation of oil nor increased its exports to stabilize the value of the dollar. Nor has it effectuated a comprehensive energy program. (Its intention to do so was reported by President Carter at the Bonn summit in July, 1978.) Under these circumstances, each side tends to blame the other for its inability to deliver promises. There is even a move in the United States Congress to push for a special surcharge on Japanese imports. As Ambassador Mike

¹¹ *New York Times*, January 14, 1978.

¹² *Ibid.*

¹³ For an example of how the United States deflected the domestic textile industry pressure toward protection for the sake of the United States-Japanese alliance in the 1950's, see Hideo Sato, "The Crisis of an Alliance: The Politics of United States-Japanese Textile Trade," Ph.D. dissertation, Department of Political Science, University of Chicago, 1976, ch. 2.

¹⁴ For similar observations, see Seyom Brown, *New Forces in World Politics* (Washington, D.C.: The Brookings Institution, 1974), pp. 7-44; C. Fred Bergsten, "Crisis in the U.S. Trade Policy," *Foreign Affairs*, vol. 49, no. 4 (July, 1971), pp. 620-21; David H. Blake and Robert S. Walters, *The Politics of Global Economic Relations* (Englewood Cliffs, N.J.: Prentice-Hall, 1976), p. 15.

¹⁵ The Japanese cultural tendency to presume upon another's benevolence has tended to reinforce their sense of dependence on the United States in the postwar period; therefore it dies hard despite changing circumstances. On the Japanese unresponsiveness to change, see Philip H. Trezise, "The Second Phase in United States-Japan Relations," *Pacific Community*, June, 1975, p. 344. On the foreign policy implications of Japanese cultural traits, see I.M. Destler et al., *Managing an Alliance: The Politics of United States-Japanese Relations* (Washington, D.C.: The Brookings Institution, 1976), pp. 100-124.

¹⁶ For an elaboration of this view, see Brown, *op. cit.*, pp. 29-44.

Mansfield stated recently, "We have some rough times ahead of us."

CHANGING STRUCTURE OF THE INTERNATIONAL SYSTEM

Why is it that Japanese-American relations under President Carter and Prime Minister Fukuda have been beset by so many difficulties? Clearly, the problems involved have been basically systemic in nature and therefore not amenable to short-run settlement. During the height of the cold war in the 1950's and early 1960's, the United States was primarily concerned with the cohesion of the Western coalition against the Communist bloc. Thus American leaders went out of their way to be generous and patient with Japan and other Western industrial states. "Free" trade among the nations of the "free" world was emphasized, and economic issues with United States allies were minimized and were seldom allowed to undermine the solidarity of the Western bloc, the United States government usually deflecting domestic pressure for protection.¹³ With the American economy strong and healthy, the United States could afford to practice this policy. The allies, for their part, shared enough of the anti-Communist ideology to defer to American leadership and welcomed liberal trade, especially if it meant the expansion of their own exports.¹⁴

However, with the decline of the cold war in the late 1960's and afterward, the United States became more and more sensitive and receptive to domestic interests. At the same time, it was increasingly less tolerant of its allies with regard to bilateral or intra-bloc issues, particularly in view of the relative weakening of the United States economic position in the world and the emergence of Japan and West Europe as economic competitors. The allies also became more self-assertive and less willing to defer to United States policy; at the same time, they (particularly Japan) found it difficult to rid themselves of the sense of dependence that had been developed in the course of more than two decades of "benevolent" United States policy.¹⁵

In addition, with the reduction of the perceived security threat from the Communist bloc, economic issues emerged in the forefront of international relations;¹⁶ this trend was reinforced by the serious domestic economic issues (inflation, unemployment, recession) confronting most Western industrial states, especially in the wake of the 1973 oil embargo. Compared to military-security issues, economic issues involve a larger number of domestic actors (including special interest groups and their proxies in the legislature), which makes it more difficult for governments to balance domestic politics and foreign policy. This is ironic in view of the fact that the international economic system has become far more interdependent, so

that the domestic economic policies of one industrial state immediately affect the economy of another.

This problem is exacerbated by the fact that the more inefficient and less competitive an industry is, the more likely it is to depend on political power to protect its interests, instead of allowing the market to operate freely. The United States steel industry is a good example. It is now generally agreed that Japanese steel plants are far more modern and efficient and can therefore produce steel far more cheaply.¹⁷ Thus, *Washington Post* columnist Nicholas Von Hoffman has noted:

No matter how much [American] steel executives deny it, the reason they're in the soup doesn't have anything to do with crazy little yellow men working for inhumanly low wages, or unfair help to the Japanese steel industry by its government . . . the Japanese are simply more efficient.¹⁸

The underlying cause of the plight of the United States steel industry is not foreign imports but its failure to take advantage of new technology.

¹⁷See The Council on Wage and Price Stability, *Report to the President on Prices and Costs in the United States Steel Industry* (Washington, D.C.: U.S. Government Printing Office, October, 1977); Charles A. Bradford, "Japanese Steel Industry: A Comparison with Its United States Counterpart," Institutional Report, Securities Research Division, Merrill Lynch, Pierce, Fenner & Smith, Inc., June 24, 1977; U.S. Central Intelligence Agency, "World Steel Market: Continued Trouble Ahead," ER 77-10351U, May, 1977; Hans Mueller and Kiyoshi Kawahito, *Steel Industry Economics: A Comparative Analysis of Structure, Conduct, and Performance* (New York: International Public Relations Co. Ltd., 1978).

¹⁸Quoted in Michael Berger, "Hidden Dimensions in United States-Japan Trade," *Pacific Community*, vol. 9, no. 3 (April, 1978), p. 332.

¹⁹On how the textile industry influenced government policymaking, see Hideo Sato, *op. cit.*; I.M. Destler, Haruhiro Fukui, and Hideo Sato, *The Textile Wrangle: Conflict in Japanese-American Relations* (Ithaca: Cornell University Press, forthcoming).

²⁰See Berger, *op. cit.*, p. 333; United States-Japanese Trade Council, *Council Report*, no. 53 (October 13, 1977), p. 2.

²¹United States-Japan Trade Council, *Trade Roundup*, no. 4 (March 19, 1977).

²²Tetsuji Yokota, *Gyunku wa naze takaika* [Why beef so expensive?] (Tokyo: Simul Press, 1978), p. 17.

²³In the December 5, 1976, Lower House election, for instance, an LDP candidate with 37,107 popular votes in the agricultural Niigata 3d district was successfully elected, whereas a Japan Communist party candidate with as many as 114,662 votes was only a runner-up in the urban Osaka 3d district. *Kokkai Binran* [Diet Directory] (Tokyo, 1978), pp. 298-306.

²⁴Japan's food self-sufficiency rate, in terms of calories, declined from 82 percent in 1960 to 59 percent in 1975. In terms of value, it declined from 89 percent in 1960 to 70 percent in 1976. Japan's food self-sufficiency has increased over the years only with regard to rice, from 98 percent in 1960 to 110 percent in 1975. *Nihon Keizai Shimbun*, December 19, 1977; United States-Japan Trade Council, *United States-Japan Farm Trade* (Washington, D.C., March, 1978), a pamphlet of the United States-Japan Trade Council, p. 10.

However, following the footsteps of the United States textile industry,¹⁹ American steelmakers have mounted massive lobbying campaigns in recent years, mainly to restrict imports from Japan (and West Europe). Such campaigns rose to a crescendo in the fall of 1977. The industry used the media to dramatize plant closings, bought full-page advertisements in major American newspapers and formed a 130-member steel caucus in Congress, which attempted to pressure the White House into negotiating an import-control agreement, using the threat of import quota legislation as its principal lever.²⁰

Similarly, the Japanese agricultural industry is politically powerful although it is economically inefficient. According to a study made by the Japanese Ministry of Agriculture, Forestry and Fishery, the prices of agricultural products in Japan are generally two or three times higher than international prices. In terms of the producer's price level, Japanese beef is 1,000-3,000 yen per kilogram compared to imported beef at 442 yen per kilogram.²¹ As for retail prices, a survey made by the United States Department of Agriculture in 1975 reported that a one-pound (453 grams) boneless sirloin steak cost \$2.12 in Washington, D.C., and \$15 in Tokyo.²²

Japanese farmers have unusually strong political clout because rural, agricultural areas have been a bastion of strength for the ruling Liberal Democratic party (LDP). Despite the enormous demographic changes in Japan in the last three decades, little adjustment has been made in the electoral district system, which is extremely favorable to LDP candidates.²³ Now that popular support for the LDP has been steadily declining, threatening to put an end to its sole control of the government, the influence of the articulate farming population seems even greater. There is also a popular fear, arising from the United States soybean export control and the Arab oil embargo of 1973, that increased dependence on imported food might lead to shortages if foreign supply sources were to prove unreliable. In recent years, therefore, the government has been trying to increase Japan's food self-sufficiency, which had been steadily declining,²⁴ and has been encouraging farmers to practice a policy of diversification, switching from rice farming

(Continued on page 180)

Hideo Sato, formerly a Research Associate at the Brookings Institution, is a coauthor of *Managing an Alliance: The Politics of U.S.-Japanese Relations* (Washington, D.C.: The Brookings Institution, 1976), and *The Textile Wrangle: Conflict in American-Japanese Relations, 1969-1971* (Ithaca: Cornell University Press, forthcoming). With a grant from the Henry Luce Foundation, he is now embarking on a three-year research project (with Hugh Patrick) on the political economy of United States-Japanese relations.

In Japan, "the 'China problem' has by no means disappeared. The conclusion of the long-term trade arrangement and the peace treaty merely modifies the context and shifts the focus of the Japanese domestic debate on China."

Japan and China: Peace at Last

BY HARUHIRO FUKUI

Professor of Political Science, University of California at Santa Barbara

ON August 15, the press reported that a 10-year treaty of peace and friendship had been signed in Peking by the foreign ministers of Japan and the People's Republic of China. That the treaty was signed was not surprising: the 1972 Chou-Tanaka Joint Statement, which normalized diplomatic relations between the two nations, had promised such a treaty. Since then, ambassadors had been exchanged and agreements had been concluded on trade, civil aviation, shipping and fisheries, all by the summer of 1975. What may have surprised some observers is that it had taken so long for Peking and Tokyo to complete the negotiation for the peace treaty. Why such a long delay? And, indeed, why the signing of the treaty?

In late 1974, Peking appeared eager to negotiate a peace treaty with Tokyo without further delay.¹ The Kakuei Tanaka government in Tokyo was responsive. When Japanese Foreign Minister Toshio Kimura met his Chinese counterpart, Chiao Kuan-hua, in New York at the fall, 1974, United Nations General Assembly sessions, they agreed to start negotiations immediately. A timely occasion was provided by Chinese Foreign Vice Minister Han Nien-lung's visit

¹See my "Japan's New Relationship with China," in *Current History*, April, 1975, p. 183. Peking leaders were apparently concerned about the uncertain future of Kakuei Tanaka's Cabinet as revealed by the dismal performance of the ruling Liberal Democratic party in the July, 1974, upper house elections at the time when the future of their own government was clouded by Chairman Mao's old age and Premier Chou's declining health. No doubt they also had in mind the implications of expanded trade with Japan for the success of their modernization plans.

²Tadashi Shibauchi, "Haken Mondai to Tsunahiki sareru 'Nihon'" [Japan in a tug-of-war on the hegemony problem], *Chuo Koron*, July, 1975, p. 154.

³For a summary account of these developments, see *Yomiuri Shimbun* (Tokyo), May 27, 1978.

⁴Chairman Hua Kuo-feng subsequently told Yoshikatsu Takeiri, the visiting leader of the Clean Government party (Komeito) delegation, that Miyazawa's "conditions" were a sign of the Miki Cabinet's retreat from the spirit of the 1972 Chou-Tanaka Joint Statement.

to Tokyo in November, 1974, for the signing of a shipping agreement. During his talks with his Japanese counterpart, Fumihiko Togo, it was agreed that the two governments should negotiate a "forward-looking" treaty based on the spirit of the 1972 joint statement.²

Within a few weeks of the Han-Togo round, however, the Tanaka Cabinet fell. In Takeo Miki's new Cabinet, the moderately pro-Chinese liberal Foreign Minister, Kimura, was replaced by the harder-nosed Kiichi Miyazawa. Coincidentally, the Chinese constitution, adopted in January, 1975, by the fourth National People's Congress (NPC), declared in its preamble that China opposed superpower "hegemonism." Treaty negotiation was resumed in the wake of the government change in Tokyo and in the shadow of Peking's stepped-up anti-Moscow campaign, couched in the anti-hegemonism slogan. No sooner had Vice Minister Togo and Ambassador Chen Chu met for a second round of negotiations than anti-hegemonism became a highly visible issue. Strong protests and veiled threats of retaliation were immediately raised by Moscow, giving rise to a heated controversy in Tokyo, which in turn led to the hardening of Peking's attitude and to the suspension of the negotiations.³

During the September, 1975, United Nations General Assembly sessions, Miyazawa handed Chiao what have since been called the four "principles" or "conditions" on the interpretation of anti-hegemonism: it was not directed at any third nation; it did not imply joint actions by China and Japan; it did not apply merely to particular areas in Asia but universally to any area in the world; and it conformed to the spirit of the United Nations charter. Miyazawa's initiative served to widen, rather than narrow, the disagreement on the issue.

Between the fall of 1975 and the end of 1977, few visible moves were made by either side to break the stalemate. The first public sign of a significant movement forward was made in January, 1978, when a

Japanese newspaper reported what was alleged to be the official Japanese draft of the treaty text.⁵ This was followed by a key Japanese Foreign Ministry official's visit to Peking, presumably hand-carrying the draft.⁶ By the middle of February, Tokyo-Peking exchanges became more public and frequent, indicating the growing confidence of both governments in an early and successful conclusion of the protracted negotiations. On February 14, Ambassador Shoji Sato visited with Vice Minister Han to relate the Japanese government's thoughts on the treaty in general. Four days later, the Tokyo government sent Sato an authorization to resume the formal negotiations.

After several negotiating sessions in late February and early March, Sato and Han apparently reached agreement on all pending issues, except the specific language to be used on anti-hegemonism. Thus, on March 22, Prime Minister Takeo Fukuda conferred with his top foreign policy advisers and decided to send Foreign Minister Sunao Sonoda to Peking before the middle of April to resolve the one outstanding issue through political talks.

The timetable was disrupted, however, by an unexpected development in waters off the Senkaku Islands.⁷ It was not until early May that the dust settled enough to permit the resumption of the negotiations. On May 10, Ambassador Sato and Vice Minister Han met to confirm their earlier agreement to work towards the prompt conclusion of the treaty along the lines laid down by the 1972 joint statement and to shelve the Senkaku Islands issue indefinitely. The new timetable proposed by the Japanese and subsequently accepted by Peking projected the beginning of the last round of negotiations around June 20 and Sonoda's visit to Peking in early July to wrap it up. As it turned out, this timetable was extended once more. Sonoda finally arrived in Peking on August 8, and within a few days his "political talks" were concluded. The treaty of peace and friendship between Japan and the People's Republic of China became a reality on August 12, 1978, after nearly four years of arduous and tortured negotiations.

Conflicting views of the extent of each nation's territorial sovereignty over adjacent waters and com-

⁵ *Yomiuri Shimbun*, January 1, 1978.

⁶ The official in question was the Treaty Bureau Councillor, Ryohei Murata.

⁷ The incident involved will be mentioned later.

⁸ See "Japan-South Korea Continental Shelf Agreement Opposed," *Peking Review*, June 3, 1977, pp. 28-29; "China's Sovereignty over Continental Shelf Is Inviolable," *Peking Review*, June 17, 1977, pp. 16-17.

⁹ Keng's statement was made during his meeting with a visiting opposition member of the Japanese Diet, Hideo Den. See *Yomiuri Shimbun*, April 15 and 16, 1978.

¹⁰ According to the crew's account, the Chinese fishermen had apparently arrived in the Senkaku waters in pursuit of schools of leatherjacket. *Asahi Shimbun* (Tokyo), April 22, 1978.

peting claims to resources over and under the seabeds in dispute have always been troublesome issues in Japan's relations with China. The issue was raised in an articulate form in two cases during the negotiations. The first concerned the agreement between Japan and the Republic of Korea on the joint development of the continental shelf in the East China Sea, and the second involved the unexpected appearance of Chinese fishermen around the Senkaku Islands.

When it was signed in early 1974, the Japanese-Korean agreement was denounced by Peking as an infringement on China's sovereignty. After the ratification of the agreement by the Japanese Diet in June, 1977, the Chinese government reiterated its objections.⁸ What is important to note, however, is not that China protested against the agreement but that she deliberately avoided tying the protests to the treaty negotiation. In Peking's view, the benefits of a peace treaty with Japan clearly outweighed the costs of the Japanese-Korean agreement.

Peking chose a similar approach to the Senkaku Islands question. As far as Japan is concerned, the islands are an extension of Okinawa Prefecture and everything in or under the waters within 12 miles of the islands belongs to Japan, a position that had been confirmed by the 1971 United States-Japanese agreement on the reversion of Okinawa. As far as China is concerned, on the other hand, both the Japanese historical claim to the islands and the Okinawa reversion agreement violated China's sovereignty which extends to Tiao Yu T'ai, as the islands are called by Chinese. Neither side has changed its official position; but since the 1972 Chou-Tanaka Joint Statement, the dispute was kept in abeyance by mutual consent until it was suddenly reactivated during the last phase of the treaty negotiations in the spring of 1978.

On April 12, 1978, a fleet of some 137 Chinese fishing boats made an unannounced appearance around the Senkaku Islands and, according to Japanese press reports, at least 16 boats entered what the Tokyo government claimed were Japan's territorial waters. During the next few days, tension built in Tokyo, and hurried messages were sent to Peking. Peking responded first with a promise to investigate the situation and then with Vice Premier Keng Piao's unofficial statement that the incident had occurred by accident.⁹

Keng's view was subsequently confirmed officially by a spokesman of China's Foreign Ministry and by the crew of a Japanese fishing boat, which had been near the Chinese fleet at the time of the incident.¹⁰ Furthermore, the "trespassing" Chinese fishermen left the 12-mile zone within a few days. The entire episode thus proved Peking's reluctance to reopen the territorial dispute and risk a last-minute rupture of the treaty negotiations.

The anti-hegemony issue was more difficult. Since the 1968 Soviet invasion of Czechoslovakia, the Chinese press had used the term in its frequent criticisms of Soviet policy; since early 1971, if not earlier, anti-hegemonism had become a central tenet of Chinese foreign policy. It had been incorporated into joint statements and press communiqués issued by representatives of China and other governments, including the 1972 Chou-Nixon (Shanghai) Communiqué and the Chou-Tanaka Joint Statement.¹¹ For the Japanese the concept was unfamiliar and sinister.

Surprising as it may seem, the inclusion of the anti-hegemony clause in the Chou-Tanaka joint statement was a result of an oversight rather than a careful study on the part of the Japanese government.¹² It was thus not until after the preliminary negotiation for the peace treaty began in late 1974 that the Japanese officials realized the far-reaching implications and potential danger of acceding to anti-hegemonism as the term was understood in Peking. Officials in Tokyo began to argue that an explicit reference to anti-hegemonism would be inappropriate in a formal treaty and that, if such a reference were made, it would have to be "diluted" by appropriate qualifications.

¹¹One scholar has counted 19 documents of this kind issued in the period 1973-75. See Sheldon W. Simon, "Japan's Foreign Policy: Adjustments to a Changing Environment," *Asian Survey*, July, 1978, p. 676. See also Shin Koizumi, "Nitchu Heiwa Yuko Joyaku e Zenryoku wo: Han-haken wa Genjitsuteki Igi wo motsu" [Let us make all-out efforts for the conclusion of the Japan-China treaty of peace and friendship: 'Anti-hegemony' has practical significance], *Gekkan Shakaito*, May, 1978, pp. 133-134.

¹²One observer has pointed out that Tanaka and his advisers had agreed to the inclusion of the clause in the 1972 joint statement simply because a similar reference was found in the Chou-Nixon communiqué. See Shibauchi, *op. cit.*, p. 159. See also Simon, *op. cit.*, p. 676.

¹³See Simon, *op. cit.*, p. 683. On the Tyumen oil project, see also Gerald L. Curtis, "The Tyumen Oil Development Project and Japanese Foreign Policy Decision-Making," in Robert A. Scalapino, ed., *The Foreign Policy of Modern Japan* (Berkeley: University of California Press, 1977), pp. 147-174.

¹⁴Shibauchi, *op. cit.*, p. 166. See also Haruo Okada, "So-Nichi Zenrin Kyoryoku Joyaku no Nerai wa nani ka" [What is the Soviet-Japan treaty of good neighborliness and cooperation meant to accomplish], *Chuo Koron*, May, 1978, pp. 126-127.

¹⁵Cited in *Asahi Shimbun*, May 27, 1978.

¹⁶The dollar values of Japanese imports from and exports to China in 1976 were respectively 10.5 percent and 26.4 percent less than in 1975. For more detailed discussions, see *Tsusho Sangyo Sho*, *Tsusho Hakusho*, 1977: *Kakuron*, pp. 837-838. See also Tetsu Akiyama, "Zaikai no Soda ni Kake" [The business community's big gamble], *Ekonominisuto*, March 14, 1978, p. 22; Yoshiro Akeno, "Ka Kokuhu Taisei-ka no Keizai Dokoro to Keizai Seisaku" [The economic developments and economic policy under the Hua Kuo-feng regime] *Kokusai Mondai*, January, 1978, p. 22; and Kent Morrison, "Domestic Politics and Industrialization in China," *Asian Survey*, July, 1978, p. 698.

Japanese objections to the inclusion of an anti-hegemony clause in the treaty arose partly from the fear that it might boomerang against Japan herself. Some Foreign Ministry officials feared that "hegemony" might someday be interpreted to refer to a nation's economic actions. Should it be so interpreted, the concept might be used against Japanese trade and investment policies in Asia and elsewhere.

More immediate and compelling was Japan's worry about the actual or potential reaction of the Soviet Union. Moscow had been trying, indirectly and directly, to keep Japan from helping China in her anti-Soviet campaign. Indirectly, the Soviet Union had tried to involve Japan in a series of large-scale resource-development schemes—Tyumen oil, natural gas in Sakhalin, natural gas and coal in Yakutsk, timber in eastern Siberia.¹³ The Asian collective security scheme formally proposed by Moscow in 1969 was obviously designed to accomplish the same end in a broader regional context. More recently, Moscow had offered to conclude a treaty of good neighborliness and cooperation with Japan, while negotiations for a peace treaty were being delayed by the dispute over the northern territory.¹⁴

None of these devices, however, were successful. As prospects for the successful conclusion of the Sino-Japanese treaty negotiation improved in 1978, Soviet pressure tactics became more explicit. In February, Ambassador Dmitri Polyanski bluntly told Chief Cabinet Secretary Shintaro Abe that Moscow would regard an anti-hegemony clause in the treaty as hostile. In May *Pravada* branded it a "dangerous step" and *Sovetskaya Rossiia* warned about the dire consequences of Japan's complicity in "Peking's hegemonism" against the Soviet Union.¹⁵

All these diplomatic issues affected the treaty negotiations between Peking and Tokyo, contributing to the repeated delays and complications. The Soviet objections were particularly troublesome to Japan. What ultimately determined the decisions and actions of the Japanese government, however, was none of these diplomatic issues but the interplay of domestic forces and interests.

Until 1973, Japanese trade with the People's Republic of China had gradually increased, with some ups and downs, under an informal arrangement providing for two types of transactions: on the one hand, a series of *ad hoc* contracts between China's public corporations and Japanese firms designated as "friendly" by Peking and, on the other, contracts based on one- to five-year "Memorandum Trade" agreements. By the end of 1973, however, both practices were in fact abandoned; in 1974, they were replaced by an official three-year agreement. Sino-Japanese trade substantially increased in the first year of the new agreement and then precipitously dipped in the second and third years.¹⁶ The decline had less

to do with the change in the format of the trade agreement than with specific circumstances of the Chinese economy and Peking's policy decisions in response to those circumstances.¹⁷ Nevertheless, the decline caused much concern among Japanese businessmen and, in view of the approaching expiration of the 1974 agreement, led many to contemplate the conclusion of a longer-term arrangement as an insurance against similar lapses in the future.

If the 1975 and 1976 trade statistics provided negative incentives for the Japanese businessmen's search for a long-term trade arrangement with Peking, the new modernization policy of the Hua-Teng regime added a powerful positive incentive. The drive towards "four modernizations," first outlined in Chinese Premier Chou En-lai's political report to the fourth National People's Congress (NPC) in January, 1975, evoked no more immediate interest in Japan than elsewhere. For that matter, neither did the "20 Articles on Industry" drafted by Chinese Deputy Prime Minister Teng Hsiao-ping that same year. The political regime to support the ambitious program of economic modernization was just emerging, and much uncertainty still clouded its future. But after Hua Kuo-feng was officially installed as the new Chairman of the Chinese Communist party (CCP) in June, 1976, and began to push the "four modernizations" program, Peking's professed intentions began to be taken seriously. Confidence in the stability and capability of the new regime among Japanese businessmen rose rapidly after the August, 1977, CCP National Congress, which, in effect, declared the modernizers' victory over the "Gang of Four" radicals and incorporated the "four modernizations" line in the new party constitution.¹⁸

A politically stabilized and economically developing China had a special attraction for Japanese busi-

nessmen both as a market for their industrial wares and as a source of energy for their productive facilities. As the details of the "four modernizations" program became more specific and better known, they whetted the appetite of Japan's big business community. In his report to the fifth NPC in February, 1978, Hua announced a new ten-year economic development plan in which industry would play a "leading role" and foreign trade would receive special attention. As a commentator later explained, the goals of the new plan were the attainment by the end of the century of a level of industrial production approaching or even oustripping that of the most developed capitalist countries, the automation of industrial processes, the construction of high-speed transport and communications services and the extensive utilization of new materials and technologies. More specifically, 120 large-scale industrial construction projects would be started or completed during the ten-year period ending in 1985.¹⁹

China could pay in crude oil and coal for Japanese industrial goods and technology, which would help the Japanese industry cope with the current and prospective energy crunch. Given the still fresh memory of the 1973 oil crisis and the steadily rising price of Middle Eastern crude, the prospects of a substantial increase in the oil and coal supply from a closer source were attractive to most Japanese industries.

There were some serious problems with Chinese crude. One was its quantity. Although recent estimates of China's potential oil reserves, including offshore deposits, reached as high as 39 billion barrels, most estimates of crude available for export in the immediate future placed the total around 30 million.²⁰ Another was its quality. Chinese crude was heavy: it was relatively low in sulfur content but high in paraffin. To make it suitable for general industrial use, expensive refining facilities would be needed. A third problem was the price. So far, China was selling her crude at a price about \$.30 lower per barrel than Indonesian crude of comparable quality. The price, however, had been revised upward every year since 1975, and it was likely to continue to rise. Thus Japanese petroleum and electric power industries were not excited about the prospect of massive oil imports from China.

To leaders of the largest Japanese manufacturing firms, however, the combination of what they believed to be a vast and dependable export market and a source of energy supply potential as vast—if somewhat less dependable—was irresistible. And they dominated the nation's organized business community, represented by the Federation of Economic Organizations (FEO). As far as the problems of Chinese oil are concerned, they rejected the fuel processors' pessimistic assessments for several reasons. First, in the long run, the amount of economically exploitable

¹⁷These include, among others, the stagnation of oil and coal production, in part at least because of a series of natural disasters, the disruptions caused by the struggle against the "Gang of Four," and Peking's deliberate restriction of imports to correct the growing trade deficits.

¹⁸For the text of Hua's report to the 11th CCP National Congress, see *Peking Review*, August 26, 1977, pp. 23-57. For Japanese reports and comments, see *Asahi Shimbun*, August 22, 23, and 24, 1977; Tatsumi Okabe, "Ka Kokuhō Taisei no Kihon Seikaku" [The basic character of the Hua Kuo-feng regime], *Kokusai Mondai*, January, 1978, p. 5; and Minoru Takeuchi, "Zen-Jin-Dai mou hitotsu no Shiten" [The national people's congress: another viewpoint], *Ekonomisuto*, March 21, 1978, p. 34.

¹⁹These include 10 iron and steel complexes, 9 non-ferrous metal complexes, 8 coal mines, 10 oil and gas fields, 30 power stations, 6 new trunk railways and 5 key harbors. See Chi Ti, "General Task for the New Period: Industrial Modernization," *Peking Review*, June 30, 1978, pp. 7-9.

²⁰See Ichiro Saito, "Nitchu Keizai Ampo ga makikoshita Hamon" [The ripples caused by the Japan-China economic security pact], *Asahi Janaru*, March 3, 1978, p. 97. See also Akeno, *op. cit.*, pp. 27-30; Simon, *op. cit.*, pp. 682-683.

oil deposits on the earth is limited and will eventually be exhausted. On the other hand, Japan's industry will depend on oil as its primary energy source for a long time to come. Second, as the 1973 experience proved, excessive dependence on Middle Eastern oil was dangerous. For diversification of sources and in view of shipping costs and safety it was sensible to buy as much oil from China as possible. Third, the increased use of heavy crude was an inevitable worldwide trend. It was better to invest early rather than late in the construction of refining plants and equipment that would be needed sooner or later. Spurred by encouraging developments in Peking and driven by a sense of crisis, Japan's big business leaders thus became enthusiastic supporters first of a Sino-Japanese long-term trade arrangement and then of a peace and friendship treaty.

Serious talks on a trade arrangement to follow the 1974 three-year agreement began in the spring of 1977 when an FEO delegation led by President Toshio Doko met top Chinese leaders, including Hua, and foreign trade officials. On the basis of these and subsequent talks, an eight-year arrangement was signed in February, 1978. Under the terms of the new arrangement, in the period 1978-1982 Japan would export between \$9 billion and \$11 billion worth of industrial plants, technological know-how, machinery and construction materials to China in return for Chinese oil and coal.²¹

The arrangement raised several problems. First, China's policy precluded any practice on Japan's part smacking of economic assistance, direct loans or investment in China, yet China needed and demanded favorable deferred payment arrangements for

the purchase of expensive Japanese industrial and technological items. This could cause a problem in view of the existing "gentlemen's agreement" among Western industrial nations to limit deferment payment periods to five years and to keep interest on export credits above 7.5 percent. Second, the plants and technology imported from Japan would eventually make China not only technologically self-sufficient (thus rendering unnecessary further purchases from Japan) but also a formidable competitor in third-nation markets. And third, some items desired by China, like complete color television production plants (including Braun tubes and integrated circuits), might violate the COCOM code. These and other problems,²² however, failed to daunt the Japanese business leaders, who confidently predicted that the arrangement would last indefinitely.²³ As some critics noted, Japan's big business interests thus became the most ardent promoters of the emergency Sino-Japanese "alliance."

The influence of big business interests on policy-making in the Japanese government is substantial.²⁴ In the case of the February, 1978, long-term trade arrangement the Fukuda Cabinet not only quietly deferred to the FEO leaders' judgment both in matters of principle and detail but also helped them in more official and practical ways. The day after the arrangement was signed in Peking, Fukuda and three members of his Cabinet decided to help build facilities to refine Chinese crude as a joint government-industry project at an estimated cost of 350 billion yen under the auspices of a semi-public corporation to be formed for the purpose.²⁵ Big business was, however, not the only group influencing Fukuda.

For 18 months after he became Prime Minister in December, 1976, Fukuda's domestic and foreign policy performance record was dismal. By late 1977, he seemed stereotyped as a conservative, indecisive and confused non-performer. The popularity of his Cabinet, never high, began to show a noticeable decline in late 1977 and early 1978.²⁶ A newspaper poll showed that in the spring of 1978 Fukuda was trailing behind Ohira and Nakasone,²⁷ his two prospective challengers in the next party presidential election in

(Continued on page 185)

²¹For the text of the arrangement, see *Yomiuri Shimbun*, February 16, 1978.

²²Apart from the problems related to the quantity, quality and price of Chinese oil which have been already mentioned, reactions of the Soviet Union and other nations, such as Indonesia and Australia, remained potential diplomatic headaches for the Tokyo government.

²³FEO Vice President Yoshihiro Inayama's statement quoted in *Asahi Shimbun*, February 18, 1978.

²⁴For a review of relevant cases and arguments, see my "Studies in Policymaking: A Review of the Literature," in T. J. Pempel, ed., *Policymaking in Contemporary Japan* (Ithaca: Cornell University Press, 1977).

²⁵The three ministers involved were Foreign Minister Sunao Sonoda, Minister of International Trade and Industry Toshio Komoto and Chief Cabinet Secretary Shinitaro Abe. See *Mainichi Shimbun*, February 18, 1978.

²⁶According to a *Yomiuri Shimbun* poll, supporters of his Cabinet declined from 27 percent in mid-1977 to 20 percent in the spring of 1978, while non-supporters increased from 38 to 54 percent during the same period. See *Yomiuri Shimbun*, April 17, 1978.

²⁷In response to the question, "Who in your opinion is best qualified to become LDP president (after the next LDP presidential election)?" 17 percent named Ohira, 13 percent Nakasone and 12 percent Fukuda and Kiichi Miyazawa. See *Mainichi Shimbun*, May 1, 1978.

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"... even if Japan manages to balance her total exports with total imports vis-à-vis West Europe she will not be free of conflict, because an overall regional trade balance does not guarantee that bilateral trade with individual West European countries will be in balance."

Japan's Trade Controversy with West Europe

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RECENT trade relations between Japan and West Europe have been less than amicable. At times, the negotiations have been tense, bitter and agonizing, with charges and countercharges flying in both directions. West Europe blames Japan for flooding its market with her goods, causing unemployment that is reaching politically unbearable proportions. Japan complains that the charge is exaggerated and that she is a scapegoat for the internal malaise of the West European economies.

In view of the history of trade relations, this controversy is only the latest variation on the recurring theme of free trade versus protectionism. In the late eighteenth century, expounding on the folly of mercantilism, which advocated a nation's stockpiling of gold through encouragement of exports and discouragement of imports, Adam Smith concluded that free trade was the most effective way to enhance the wealth of all nations. In the early nineteenth century, David Ricardo developed the doctrine of comparative advantage as a refinement of Smith's thesis on the virtues of free trade, a doctrine that survives in economics textbooks to this day. Yet some years after Ricardo, Friedrich List raised a question: how could a country like Germany, then underdeveloped relative to England, manage to industrialize herself without protecting her fragile infant industries? The twentieth century has had its share of protectionists and skeptics about free trade. Economists have noted that the structure of the world economy has a built-in bias against poor, developing countries because the fruits of so-called free trade are disproportionately claimed by the advanced economies. Today, many economists representing the third world maintain that the doctrine of free trade is a disguised mercantilism for the rich nations.

Particular issues and nuances vary, depending on time and geopolitical contexts, but the underlying theme of the controversy is always the conflict between efficiency and equity. Free trade, which is an

extension of the principle of economic competition beyond the confines of national borders, promotes efficiency and raises the productivity of the world economy. However, whether the benefits of such productivity gains will be equitably distributed among nations or among different groups within each nation is another matter. There is something universally predictable about the human attitude toward competition. Everyone is for competition as long as he is winning, but once he begins to lose, the same competition becomes unfair, disruptive and harmful. The proposition that free trade will benefit all people in all nations over the long run sounds empty to the ears of those who have lost jobs to foreign competitors. To them, high-quality foreign products at lower prices, which they cannot afford to buy with their meager unemployment compensations, are useless.

THE RISE OF PROTECTIONISM

As predictable as the attitude toward competition is the co-variance of the rise of protectionism with the spread of global recession. During the Great Depression of the 1930's, every nation indulged in the beggar-thy-neighbor policy—improving its domestic economic condition by promoting exports and restricting imports, thus shifting unemployment to other countries. This was futile and self-defeating because, from a global standpoint, total exports are the same as total imports; hence it is impossible for all nations at once to export more than they import.

For some 30 years after World War II, protectionism of a global magnitude was held in check by the general prosperity of the world economy. Economic growth helps sustain the system of free trade. From the viewpoint of an exporting country, global prosperity means a rising level of world import demand; exports can be expanded rapidly without generating friction in overseas markets. From an importing country's perspective, the rising income level enables consumers to absorb more domestic as well as foreign

products, and the growth of the domestic economy will make the internal structural adjustments caused by foreign competition much easier.

For three decades after World War II, the volume of world trade continued to expand, on the average, faster than world production. The world boom was abruptly brought to a halt by the oil crisis toward the end of 1973. In 1974 and subsequently, for the first time since the 1930's, the world faced a synchronized global recession. With unemployment rising and industrial production faltering in all nations, a new wave of protectionism was more or less predictable. The current global protectionism movement, of which the Japanese-West European trade dispute is a sub-stream, echoes the familiar theme of efficiency versus equity. Given the vivid memory of the 1930's, every nation continues to endorse free trade *in principle*; but the endorsement is quickly followed by a qualifier—free trade must also be *fair* trade. Unfortunately, no one has developed a universally acceptable notion of fair trade.

West Europe has achieved the highest degree of regional economic integration since World War II in the form of the Common Market (European Economic Community, EEC) and the EFTA (European Free Trade Area). The integration of national markets through the removal of tariff barriers within the trading bloc is said to encourage competition among member countries and to enable producers to realize previously impossible scale effects, all leading toward greater productivity. The resulting growth of the West European economy will presumably raise the level of import demand for goods from other member countries and from the rest of the world.

Theory aside, regional economic integration also implies a protectionist policy posture against outsiders, and throughout the postwar period, West Europe has viewed Japan as a potentially dangerous

¹Article 35 reads in part: "The General Agreement shall not apply as between any contracting party and any other contracting party if: (a) the two contracting parties have not entered into tariff negotiations with each other, and (b) either of the contracting parties, at the time either becomes a contracting party, does not consent to such application. . . ."

²Article 19 reads in part: ". . . if, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession."

³Ministry of International Trade and Industry, *Tsusho Hakusho-Kakuron* (Foreign Trade White Paper, vol. 2, 1977), pp. 508-509, 514.

⁴*Ibid.*, p. 514.

outsider. Thus, when Japan became a member of the GATT (General Agreement on Tariffs and Trade) in 1955, 14 nations—including France, Benelux and Great Britain—immediately invoked Article 35 to avoid the application of the General Agreement vis-à-vis Japan.¹ It is not commonly known that many West European countries have until recently maintained discriminatory import restrictions against Japan over a wide range of commodities. Nonetheless, few major trade feuds erupted between the two in the early postwar years mainly because the weight of Japanese goods in West Europe's total imports remained small.

The first round of negotiations toward the signing of a commercial treaty between Japan and the European Economic Community took place in September, 1970. Japan's attempt mutually to reduce the list of import-restricted items to two-thirds of the January, 1970, level was opposed by the representatives of the Common Market, who insisted that safeguard problems (reserving the right to invoke selective import controls specifically against Japanese goods) must be solved before trade liberalization and that all Common Market countries must be provided with the same safeguard measures as those held by France and Benelux. Japanese representatives maintained that the safeguards for France and Benelux were granted reluctantly to persuade those countries to withdraw the application of Article 35; application of the same discriminatory measures for all EEC members was unacceptable. Japan suggested an alternative: abiding by GATT Article 19 on emergency action on imports of particular products.² The first meeting produced no agreement.

Similarly, the second round of negotiations, held in July, 1971, reached a deadlock, when EEC members reiterated the position they took at the first meeting. At the third round of negotiations in June, 1973, both sides agreed to deal with the safeguard issue multilaterally rather than bilaterally at future trade conferences. Besides the safeguard problem, there is still no unified common import policy for the EEC with regard to Japan. While the technical staffs of both sides have continued to meet at regular intervals, no comprehensive commercial treaty exists between the two.³

In the specific category of textiles, negotiations have been more positive. On July 19, 1975, Japan and the EEC reached an agreement that (1) all quantitative import restrictions on textiles would be removed by March 31, 1977, at the latest; (2) Japan would practice voluntary export restrictions on eight stipulated items; and (3) the two sides would maintain a regular channel of communication to deal with future problems. Of 313 items restricted before the agreement, 264 items were liberalized as of January 1, 1976. The remaining 49 items were removed from the restriction list on April 1, 1974.⁴

The success of textile liberalization, however, has been overshadowed by new storms of controversy that began to gather in 1976 over the influx of other Japanese products (especially steel, automobiles, bearings, television, and ships) into West Europe. After the oil crisis, Japan's net exports to the EEC began to rise rapidly. In 1970, Japan's trade surplus with the EEC was \$180 million; it rose to \$1.220 billion in 1973, \$1.980 billion in 1974, \$2.3 billion in 1975 and \$3.6 billion in 1976, reaching \$4.5 billion in 1977. What triggered European anger and protest was the accelerated rate of increase in Japanese exports, consisting of a small number of product items and concentrated in a few countries. In terms of weight, Japan remains a relatively insignificant source of West Europe's imports. In 1975, the year in which Japanese exports of steel reached a peak, Japanese steel accounted for 5.6 percent of the EEC's total consumption of steel. In 1976, 46 percent of the stainless steel imported by Great Britain came from the other EEC countries in contrast to 16 percent from Japan. In the same year, the market share of Japanese automobiles in Great Britain was 9 percent, and it remained as small as 2 percent in the other EEC countries.

In the psychology of protectionism, what seems to matter most is a quick, visible change in the traditional market structure within the importing country.

In response to an appeal from West Germany, France and Great Britain, in February, 1977, the EEC Commission levied an anti-dumping duty against Japanese bearings for a period of six months. In 1976 and 1977, the six largest Japanese steel producers voluntarily restricted their exports of steel to the EEC to 1,220,000 tons per annum. Under pressure from the Japanese government and from Great Britain—the country hardest hit by Japanese automobile imports—the major Japanese car producers have been practicing similar voluntary export restraints vis-à-vis the EEC.⁵

European discontent deepened throughout 1977, and in the early spring of 1978, the EEC began to send waves of increasingly higher-level negotiating teams to Tokyo—after the manner of the United States trade negotiators who descended on Tokyo during the last five months of 1977. Acting on an instruction issued on February 7, 1978, by the EEC Council of Ministers, the EEC launched a series of intensive and accelerated negotiations with Japan to obtain satisfactory concessions in time for the Common Market summit conference scheduled to be held in Copenhagen on April 7, 1978. There was an obvious implied

⁵Ministry of International Trade and Industry, *Tsusho Hakusho-Soron* (Foreign Trade White Paper, vol. 1, 1977), pp. 283-284.

⁶Facts concerning the Japan-EEC trade negotiations in the spring of 1978, mentioned in this and preceding paragraphs, are extracted from *Japan Economic Review*, March 15, 1978, p.6 and April 15, 1978, p.4.

threat that unless reasonable concessions were made by Japan, the summit would intensify protectionist moves against her.

The first team of negotiators, headed by Benedict Meynell, head of the Commission's Directorate B for relations with North America, Australia, New Zealand and Japan, held preliminary technical-level talks with representatives of the Japanese government in Tokyo on February 13-16. Danish Foreign Minister Knud B. Andersen, chairman of the EEC Council of Ministers, arrived in Tokyo on February 27. Andersen was soon followed by a second negotiating team, led by Sir Roy Denman, the Commission's director-general for external relations.

Not surprisingly, the third, final and highest negotiating team, headed by Wilhelm Haferkamp, the Commission's vice president and Cabinet member, which arrived in mid-March, did not produce any spectacular result. The March 24 joint communiqué issued by Haferkamp and Nobuhiko Ushiba, Japan's state minister for external economic affairs, was an anticlimax. It was essentially a replica of the United States-Japanese joint statement of January 13, with both sides agreeing to the importance of preventing protectionism and mass unemployment, of avoiding sharp, sizable changes in the balance of payments, of promoting growth in the context of an open economy.⁶

The West European protest of early 1978 against Japan's aggressive export drive was motivated by the EEC's suspicion that Japan was behaving like an *enfant terrible* in the arena of international economic relations. The EEC's charges against Japan may be summarized as follows: Japan is a free rider because she readily takes advantage of the openness of other economies while carefully shielding her own economy from foreign competition; she is deliberately trying to encourage the recovery of her economy at the expense of other nations, namely, by export drives that spread unemployment in the importing countries; and she does not seem to understand that, given the size of her economy, she has responsibilities and obligations toward other countries in this increasingly interdependent world. From the Japanese perspective, these charges are one-sided and too narrowly focused to be accepted with grace. Statistics tell of Japan's bulging trade surpluses with West Europe. But beyond the statistics lie larger issues.

Export serves three interrelated functions for a national economy. It is a component of total effective demand for domestic production and affects the size of the nation's gross national product (GNP); it is typically the major source of foreign exchange to pay for imports; it may serve as a cushion against internal recession. Of these three, the first function has been unimportant—contrary to the outsiders' image of Japan—and the second and third functions are important to Japan. In the postwar period, the weight of

exports in Japanese GNP has been about 10 percent; in recent years, it has risen to 15 percent, still small compared with advanced Western countries with the exception of the United States. Using this criterion, Japan can hardly be described as an export-oriented or export-crazy country. However, because Japan is critically dependent on imported raw materials, export as a means of earning foreign exchange has been extremely important, because any loss of exports would lead to the loss of imported materials which, in turn, would cause an immediate breakdown of internal industrial activity.

The pattern of Japan's development as an importer of primary goods and producer-exporter of manufactured goods, set by the Meiji government in the late nineteenth century, has led Japanese producers to develop an acute export consciousness that is largely absent among producers in the United States, a country with a vast, comparatively autonomous, self-contained market, or among producers in West Europe, who enjoy Common Market connections. Along with such export consciousness, Japanese producers have also cultivated an ability to shift output quickly from the domestic to the overseas market when their economy suffers a recession.

Today, the Japanese islands, which occupy only 0.3 percent of the earth's land surface, produce approximately 10 percent of the world output, and in weight Japan's exports comprise 7.7 percent of total world trade. But this is a very recent phenomenon. The size of Japan and its relative underdevelopment led to an insular Japanese outlook. The Japanese regard Japan as a small country that can easily be overwhelmed by the rest of the world. They are bewildered by the angry West European trade negotiators who fly into Tokyo like waves of airborne paratroopers, with a long list of demands and accusations.

Japan is accused of running excessive trade surpluses. Yet, until the last three years, balance-of-payments deficits were a persistent problem for the Japanese economy in the postwar period. Japan is criticized for exporting too much, causing unemployment in other countries. Yet Japanese goods account for less than three percent of West Europe's total imports. Japan's trade surplus with the EEC is an infinitesimal fraction of the EEC's GNP and cannot reasonably be viewed as a major source of unemployment in West Europe. Japan is asked to import more manufactured goods from the West. Yet the commodity composition of a country's imports is conditioned by an internal industrial structure that cannot be altered overnight.

Japan's postwar economic growth took place within a highly protected environment, protectionism in the early years justified by a need to develop strategic industries still in a fragile, infant state and to establish a balance of payments equilibrium. Trade liber-

alization, slow as it was, began in 1960, and capital liberalization began in 1967. Today, by conventional tariff and non-tariff barriers criteria, Japan is no less open than the Common Market. The latest accusation from the West, however, has been a charge that Japan still maintains de facto invisible trade barriers, most important of which is the distribution system in Japan, a system allegedly archaic and maddeningly complicated to Westerners. This seems strange to the Japanese, because Japanese firms operate under the same system, to say nothing of similar difficulties Japanese exporters face in unfamiliar overseas territories.

Since the oil crisis, the world has been experiencing a synchronized recession. When all the major economies are simultaneously depressed, the sensible macroeconomic policy calls for stimulating internal demand for consumption and investment rather than resorting to export drives that will aggravate unemployment problems in other countries. Japan's emerging export surpluses give the impression that she has been selfishly pursuing the beggar-thy-neighbor policy. This accusation is embarrassing to the Japanese government, because it has been rapidly raising the level of public expenditures through deficit financing and expansionary monetary policy in order to boost the domestic economy, to the point of making the deficit ratio (to the national budget) pass the 30 percent mark. This deficit ratio is unprecedented since World War II and is higher than deficit ratios in the United States and West Germany. Why, then, the persistent export surpluses? The answer is twofold, internal and external.

To the dismay of the Japanese government, the pump-priming effect of its expenditures has been weaker than anticipated because of the severe impact of the post-oil-crisis recession on the domestic economy, which was structurally geared to the accelerated growth of some 10 percent per year. The Japanese economy remains stagnant not because it has exhausted its supply capacities but because of insufficient demand for output. As a reaction to the oil shock, the demand for consumer and investment goods stays dormant, and firms carry excess capacities and large inventories. In short, Japan's domestic economic condition is ideal for minimizing the multiplier effect of public expenditures. The level of Japanese imports has been low because of the stagnant domestic economy, whereas exports have been

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"There are good reasons why Japan should assume a political role appropriate to her economic stature—her enormous stake in international peace and free trade, her need for a cooperative approach to rapid change in the military balance in Asia, and her craving for international prestige and the understanding of her allies. But no Japanese government is likely to rise to the occasion in the near future."

Japan's Beleaguered Ruling Party

BY MARGARET A. MCKEAN
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TODAY, Japan faces enormous international pressure to play a larger political role in world affairs and to be more generous and cooperative with her major trading partners. These pressures on the government come at a time when domestic politics are characterized by more fluidity and uncertainty than any time since 1955, when the Liberal Democratic party (LDP) and the Japan Socialist party (JSP), the two largest political parties, were formed.

Moreover, these combined foreign and domestic pressures require the government to make delicate choices between goals, often to weigh against one another the conflicting objectives of international peace and cooperation, its vision of Japan's national interest, and the need to appease domestic pressure groups and citizens' lobbies in order to retain power at home. Japanese negotiators frequently complain that foreign governments make "unreasonable" demands on Japan because they do not "understand" Japan's problems fully. Although this plaintive appeal is largely a bargaining ploy, it is also true.

First and foremost among the problems facing the LDP is its own decline in popular support. It received record lows of only 41.8 percent of the vote in the December, 1976, House of Representatives election (HR76) and only 35.8 percent in the national constituency and 39.5 percent in the regional constituency of the July, 1977, House of Councillors election (HC77). The LDP managed to convert these votes

¹An example is Hatoyama Kunio, grandson of former Prime Minister and LDP founder Hatoyama Ichiro and son of present LDP leader Hatoyama Ichiro. In order to escape the shadow of the Lockheed scandal, Kunio ran in 1976 as an independent. Approached after the election to join the LDP to help the LDP maintain a Diet majority, Kunio steadfastly refused in spite of the rumored threat to his father's chance at a Cabinet appointment. The rumor proved false, and Hatoyama Ichiro got his portfolio—as Foreign Minister—anyway.

into a scant majority in both houses only because of a severely imbalanced electoral districting system that favors the LDP's "safe" rural districts (declared unconstitutional by the Supreme Court in April, 1976) and by inviting successful candidates who ran as nonpartisans to join the LDP after the election. Increasingly, these independents are reluctant to go down with a sinking ship and refuse to participate, preferring their bargaining leverage as nonpartisan Diet members to the somewhat tarnished campaign funds that might later come their way as LDP members.¹

As was widely predicted, the LDP failed to win a simple majority (256) of the seats in the 1976 election, taking a total of only 249, but eventually it recruited 12 independents for a working total of 261 seats. However, the LDP would have required 271 seats to guarantee a voting majority on each of the 16 committees (since committee chairmen may vote only in case of ties). As a result of the election, the LDP forfeited the chairmanships of four standing committees and seven special committees, surrendered the vice-speakership of the Lower House to the opposition, and lost its controlling majority on four other standing committees, including the vital budget committee. Thus the election was a defeat for the LDP in terms of the standard it set for itself and in terms of its control over the Diet.

The outcome of HC77 was very similar. In terms of official party candidates, the LDP lost its majority, but by inviting independents to join the party after the election the LDP managed to preserve a two-seat majority—not the defeat that was predicted, but no resounding victory either.

One factor commonly cited to explain the LDP's decline is its difficulty with internal scandals, which had become a problem even before the Lockheed incident exploded in 1976. Fearing that it might lose its majority in the Upper House, the LDP spent

tremendous sums on its campaign in the HC74 election, a measure which promptly backfired in the form of public furor over "money politics." A few months later, Tanaka Kakuei became the first Prime Minister ever forced out of office because of questionable financial activities and personal enrichment through public office. Because of these two scandals, Tanaka's successor, Miki Takeo (selected in an unusual compromise arranged quietly without a party presidential election), took advantage of his "Mr. Clean" reputation to secure passage of a Political Funds Control Law in 1975. The law, which is perhaps Miki's most significant accomplishment, sets limits on individual and institutional contributions and requires the disclosure of major contributors. The law severely hampered the LDP's ability to solicit campaign funds for the 1976 and 1977 elections, and faction leaders opposed to Miki blamed the law for damaging the LDP's electoral performance.

THE LOCKHEED SCANDAL

The Lockheed scandal of 1976 was by far the most serious of the "black mists" to affect the ruling party in the postwar era.² It broke when a former Lockheed official testified before a United States Senate subcommittee that his firm had made payoffs to several Japanese government officials and businessmen (including a \$7-million payment to well-known rightist Kodama Yoshio), to make sure that All-Japan Airways would purchase Lockheed F-1011 TriStar jets through the Marubeni corporation, Lockheed's sales representative in Japan. The Lockheed scandal raised serious questions about how much influence ultranationalist groups, along with gangsters and other behind-the-scenes political brokers, routinely had over the LDP. The scandal also turned out to be Japan's biggest—not only were the bribes the largest ever revealed, but the recipients and collaborators were more highly placed in the LDP power structure than in any other incident. Former Prime Minister Tanaka Kakuei was arrested in July, 1976, on charges of violating the foreign exchange law. The Procurator's office in the Justice Ministry finished handing down indictments in January, 1977, and the criminal trials of 13 men are now under way. Although the defendants include politicians of great influence, it will be a surprise if the prosecution does not win convictions. The Japanese Procuracy has a remarkable record, because of the painstaking care it takes with pre-indictment investigations, and indictments are rarely

²Analyses of the scandal abound. For summaries, see Hans H. Baerwald, "Lockheed and Japanese Politics," *Asian Survey*, vol. 16, no. 9 (September, 1976), pp. 817-829; Karl Dixon, "Japan's Lockheed Scandal: 'Structural Corruption,'" *Pacific Community*, vol. 8, no. 2 (January, 1977), pp. 340-362.

³*Japan Times Weekly* (hereafter, *JTW*), February 4 and April 6, 1978.

issued unless the Procuracy is already certain that the evidence is sufficient to produce a conviction.

Convinced that the only way to save the LDP from complete ruin was to pursue a thorough investigation, Prime Minister Miki pressed the United States Department of Justice for full disclosure of the evidence on the Lockheed case. In accordance with legal requirements of ongoing trials in the United States, the Justice Department provided evidence to its Japanese counterpart on condition that the material remain confidential. The opposition parties denounced this condition as a cover-up because it might prevent the Japanese public from learning the identity of the politicians who eventually received the payoffs, and it would also encourage groundless speculation and name-calling in the absence of hard evidence. In the spring of 1978, six government officials, including four "gray" officials who escaped indictment so far because of lack of evidence or the expiration of the statute of limitations, were identified as recipients of Lockheed money by the testimony of Marubeni executives who personally handed over the cash.³ This testimony under oath identified Tanaka Kakuei himself as the recipient of a payoff, and it may enable the prosecution to indict Tanaka for bribery as well as on the earlier lesser charges.

The Lockheed scandal had a double-edged effect on the LDP during 1976. First, it almost completely immobilized the 1976 Diet session. The opposition boycotted the session for six weeks, and the Diet spent most of its time debating resolutions on the investigation, giving the LDP very few accomplishments to offer the voters later that year. Second, internal debate over how the party should treat the investigation nearly tore the LDP asunder.

In response to Prime Minister Miki's forthright insistence on an impartial investigation no matter how far it might go into the upper reaches of the LDP, other LDP faction leaders, particularly Fukuda Takeo, Ohira Masayoshi and Tanaka Kakuei (still in possession of his Diet seat and his LDP faction, though no longer a party member), launched a "dump Miki" movement. It is difficult to say whether their accusations against Miki were meant to interfere with the investigation itself or merely to take advantage of the controversy for purposes of intraparty factional maneuvering, but Ohira says that he and Fukuda came to a tacit agreement that a coalition of the factions under their control would support first Fukuda, and then Ohira, in turn, for election as LDP president and presumably therefore as Prime Minister. Ironically, because the attachment of conditions to the release of Lockheed-related evidence raised suspicions of a cover-up, and because the effect of the "dump Miki" movement was to stall the Lockheed investigation, Miki's popularity also suffered as the public inappropriately blamed him for appearing to

yield to pressure from his LDP colleagues to thwart the investigation.

As a result of this jockeying for party control and the spreading stain of Lockheed, six LDP Diet members led by Kono Yohei (son of the late Kono Ichiro, once a major faction leader in the LDP) bolted the LDP in July, 1976, and established themselves as the New Liberal Club (NLC). Although it appeared at first that the NLC might simply be Kono's attention-getting device to build a Kono faction, the NLC's surprising victory at the polls in HR76—when it won 17 seats—demonstrated that the NLC's objections to the LDP had struck a public nerve. The NLC did not do as well as expected in the HC77 election, but it hopes to improve its organization, build up its treasury and develop a clear centrist platform to reassure Japanese voters that it is more than a chip off the old LDP block. The NLC hopes to attract more LDP dissidents—perhaps the Miki faction, which has made overtures to other centrist parties in the past—and plans to field 50 or 60 candidates in the next general election.

The Lockheed scandal interfered with the LDP's ability to perform in 1976 and damaged party unity by stimulating factional conflict and the departure of some of the party's energetic younger members to form their own splinter group. But it is difficult to assess the long-term effect of the scandal on election results or on the party's internal functioning. Although the LDP as a whole did badly in HR76, it did better than predicted in HC77. Although the Tanaka faction lost five HR seats in December, 1976, and ten HC seats in July, 1977, five of the six LDP Diet members who were indicted or named as unindicted "gray" officials connected with the payoffs were re-elected by loyal home districts in HR76. Finally, in spite of the success of the NLC splinter group and the growing anger of the younger generation of LDP Diet members against the gerontocracy of faction leaders, the major existing factions continued to behave as if nothing had changed. Tanaka himself had to resign from the party and run for reelection as an independent. But his faction remains one of the LDP's largest, in spite of its electoral losses in HR76 and HC77. The Tanaka faction joined Fukuda in the dump-Miki movement of 1976 and was rewarded with the appropriate number of Cabinet posts in both the Decem-

⁴The Socialism Society was a Marxist-Leninist group so doctrinaire that it advocated Japan's abandonment of the four northern islands (claimed by Japan but currently occupied by the U.S.S.R.) to Soviet sovereignty in the interest of greater socialist friendship, a position that was extraordinarily insensitive to the nearly unanimous and highly flammable sentiments of the Japanese public.

⁵Still another centrist splinter group formed in time for the HC77 election was the United Progressive Liberals (UPL), a group of celebrities, scholars and "talent" candidates.

ber, 1976, and the December, 1977, Fukuda Cabinets. Similarly, the Tanaka faction is now working with Ohira in the dump-Fukuda movement of 1978, and can be expected to capture important Cabinet posts in exchange for services rendered, if Ohira manages to replace Fukuda as Prime Minister after the next party presidential election. But whatever the effect of Lockheed, it is clear that the LDP is unlikely to retain a simple majority in either house much longer, and must evaluate every policy, domestic and foreign, in terms of the potential impact on its rule.

The erosion of the LDP's majority does not imply that there is a unified opposition in the wings. On the contrary, the gradual recognition of the increasing opportunity for opposition influence stimulates both internecine competition and hesitant efforts at broad coalitions among the various opposition groups. It is not at all clear which political forces are winning the votes lost by the LDP. The only definite messages of HR76 and HC77 are that the floating vote has not yet settled on any particular target, but that its policy preferences are moderate or centrist. The Komeito and the Democratic Socialists (DSP) both recovered lost ground in HC77 (although it should be pointed out that in the case of the latter this was a fortuitous result of the wise placement of a still-shrinking number of votes, not of any gain in popular vote). But the JSP and the JCP (Japan Communist party) are both having trouble maintaining the popular support and internal unity necessary to move into the political vacuum left behind by the shrinking LDP.

The JSP did not do as well as expected in either election, gaining only 5 seats in HR76 and suffering a net loss of 6 seats in HC77; it has never returned to its record of 145 seats won in the HR60 election. Six of the JSP's officers and important faction leaders (including Eda Saburo, Sasaki Kozo and Katsumata Seiichi) unexpectedly lost their seats in the Lower House, signaling to many that the party could not expand its political influence any further if it maintained the same radical and inflexible policies. Long an advocate of "structural reform" instead of revolution as the desirable course for Japanese society, Eda objected strenuously to the dominant role of the left-wing Socialism Society within the party.⁴

Frustrated by the loss of his HR seat, angered at the prevalence of rigid ideological views in the party, and mindful of the astonishing success of the NLC at appealing to voters after renouncing its ties with the LDP, Eda left the JSP in March, 1977, to form the Socialist Citizens' League (SCL). He hoped to capitalize on the emergence of citizens' movements and the floating vote, perhaps to take up where the NLC left off, and to create a moderate social democratic party that could become the nucleus of an opposition coalition, eventually to replace the LDP as a ruling coalition of parties.⁵ We will never know how suc-

cessful this attempt could have been, because Eda's unexpected death only two months later undoubtedly damaged the SCL's chances for a political takeoff in the upcoming HC77 election.

The SCL is unhappy about its performance in HC77, winning only one seat for the ten candidates it fielded, and plans to rectify these problems in time for the next general election, expected in late 1978 or 1979. The SCL, joined in September, 1977, by additional defectors from the JSP when factional conflict grew more acrimonious after Eda's death, became the Social Democratic League (SDL) in March, 1978. One keen observer of the Japanese left believes that the new SDL may contain a winning combination of talent, young blood and proven skill at the polls. The SDL is led by the first and second ranking winners of votes in the national constituency in HC77—Den Hideo, who collected 1.6 million votes (and who has the unique distinction of having been the top vote-getter once before, in 1971, when he won 1.9 million votes), and Eda Satsuki, son of Saburo, who was the SCL's only winning candidate, with 1.4 million votes. Den hopes for a broad working alliance among the SDL, NLC, DSP, Komeito, and sympathizers still within the JSP, a social democratic coalition similar to coalitions of democratic socialists in West Europe or to Britain's Labour party.

In response to the creation of the SCL and to its own disappointing losses in the HC77 election, the JSP continued to suffer from strident internal debate over the best course of direction.⁶ Chairman Narita wanted to resign immediately after the HC77 defeat in July, but the JSP could not agree on his successor until December, 1977. The new chairman, Asukata Ichio, does not belong to any faction and commands the respect of both the Socialism Society and its

⁶Overlaid on the practical question of how to proceed was argument about how socialists should interpret the arrest of the Gang of Four in Peking and the resurgence of moderate Chinese leader Teng Hsiao-p'ing. The combined effect of these two debates to split the JSP into four parts, even though Eda's structural reformers had already left the JSP and had supposedly reduced the division of opinion in the JSP. See Chae-jin Lee, "The Japan Socialist Party and China, 1975-1977," *Asian Survey*, vol. 18, no. 3 (March, 1978), pp. 275-289.

⁷It is a popular and risky pastime among observers of the political scene to forecast the shape of the future coalition that will rule Japan. At present, the centrist groups refuse to cooperate with the JCP, and the left JSP does not want to cooperate with centrists who will not allow the JCP into their coalition. An opposition coalition lacking the cooperation of the JCP and the left JSP would not be large enough to displace the LDP, so it would appear more likely that the LDP will find a willing partner within the present opposition than that all opposition groups will unite in a stable coalition. The only factor that might change this is a major defection from the LDP (tantamount to an LDP split) large enough to permit a coalition of centrist parties and LDP defectors to outnumber the JCP, the left JSP, and a diminished LDP.

opponents in the party, although his own policy preferences and record as the popular mayor of Yokohama indicate that he will try to steer the JSP away from the Society's line, in the direction of the greater moderation and flexibility advocated by Eda and the SCL. The Socialism Society has agreed to refrain from factional activity and has softened its views, in response to criticism from moderates. At present, the only source of cohesion for the JSP is the fear that Prime Minister Fukuda will soon call for a general election. If the JSP were to do poorly in such an election, the incentive to remain unified would dissolve, and a split would be expected.

Although the JCP maintained its level of popular support in the HR76 election (10.4 percent compared with 10.5 percent in HR72), it lost more than half its Diet seats by spreading its votes too thinly. The JCP's loss of seats in HC77 was also more drastic than that of any other party; its portion of the popular vote in the HC77 election fell relative to the HC74 election, and its highest vote-getter in the national constituency placed only 27th, indicating that the meteoric rise of the JCP that had begun in 1972 was already over. The JCP is still plagued by internal troubles revolving around its chairman, Miyamoto Kenji—his alleged complicity in the murder of a fellow JCP member in the 1930's and his autocratic control over party members today. Miyamoto himself should have won his seat easily but he ranked only 41st among the 50 winners in the national constituency. Increasing difficulty in fishery talks and the territorial dispute with the Soviet Union may also have hurt the JCP's popularity, because the party is inevitably linked in the public mind with the Soviet Union in spite of its attempt to steer clear of Moscow and Peking.

The inability of the larger opposition parties to take advantage of the LDP's weaknesses suggests that until a major upset occurs in the distribution of power among opposition parties or within the LDP itself, the LDP will remain the dominant force in the government; nonetheless, it will face uncertainty and risk. The LDP may take solace in the fact that this fluid situation also leaves it some room to maneuver. It is still in a position to choose from among various centrist groups willing to cooperate on occasion with the LDP—the NLC, DSP, SCL/DL, Komeito, and right JSP—forcing those groups to compete with each other for the status of a power-sharing partner with a casting vote in the Diet. Each of the opposition groups will have to choose between the cost and the benefits of cooperating with the LDP in a conservative coalition versus the more complex task of cooperating with a vast array of opposition groups in an all-opposition coalition.⁷

The new distribution of strength among the parties shows signs of changing the Diet from a decision-ratifying structure (to approve bills already worked

out in detail by the LDP's research staff in consultation with the appropriate bureaucratic agencies and certain concerned interest groups) into a decision-making structure. Having lost control of key committees and Diet offices and suffering from internal factionalism that threatens the hallowed principle of party-bloc voting, the LDP must allow fuller discussion and even the amendment of legislation during Diet proceedings. Ever fearful of losing another crucial margin of strength in an upcoming election, the LDP must take its minimum responsibilities as the governing party very seriously; it must find a way to persuade the Diet to pass the basic legislation that keeps the wheels of government turning—an annual budget, occasional increases in fees for public services (postage, railway rates, liquor and tobacco taxes)—before it can begin to worry about additional legislation. As a consequence, the LDP cannot expect to pass more than three or four highly controversial items in each Diet session, and then only with considerably greater compromise with the opposition.

One of the most important consequences of the LDP's anxiety about losing its ruling majority is its adoption of a new set of regulations to democratize the election of the party president. According to the old system, party presidents were elected by a very narrow electorate consisting only of each LDP representative in the houses of the Diet, along with a single representative from each of Japan's 47 prefectures. Thus, presidents (and Prime Ministers) were essentially elected by coalitions of LDP Diet factions; other dues-paying party members, activists in LDP support organizations, and regular LDP voters had no role at all in either the nominating or the electing process.

According to the new system, all party members (those who pay annual dues of Y1,500 or about \$7.50 at Y200=\$1.00) and party friends (those who pay dues to LDP fund organizations of Y10,000, or about \$50 per year) have a vote in the presidential primary election. Any candidate with the endorsement of 20 LDP Dietmen may run in the primary election. Votes are tabulated by prefecture according to an "electoral college" system, weighted by the size of prefectural party membership. The two candidates with the highest numbers of prefectural electoral votes win the primary. The LDP Dietmen then select the party president in a runoff election between these candidates.

Regardless of the timing of the next general election, the LDP will hold a party presidential election according to the new rules in December, 1978. Clearly, the system encourages ambitious LDP politicians to build mass organizations and thereby to convert the LDP into a party with a mass base. The LDP grew from about 400,000 members to more than 1.5 million members by March, 1978. Naturally, the LDP factions are actively recruiting new members in order to

enhance their leaders' chances to capture the party presidency, but it is unlikely that the faction leaders will be able to manipulate mass memberships as handily as they did Diet factions. Although the distribution of campaign funds to Diet colleagues who needed the money for their own election campaigns was the glue that held the old factions together, the new factions will not be able to exchange money for loyalty: the amount of money that would be necessary to make a difference to so many party voters is beyond the resources of even the richest factions.

Thus, the new system will probably gradually increase the issue orientation of LDP factions and will function as a mechanism to reduce the LDP's "reaction time" in responding to citizen demands. It may also bring a new variety of politician to the fore in the LDP—a candidate who is popular for his stance on issues and his respect for citizen input, perhaps, rather than one with the social skills of a good back-room politician. The notion of a mass-based party is spreading; the JSP plans to expand its membership from 44,000 to one million in order to compete with the LDP.

The most important consequence of the decline of the conservatives and the splintering of the opposition forces in their mad scramble for the leftovers is that political parties have been forced to discover the Japanese voter. For the first time, the voter has a potpourri of attractive options.

NEW ISSUES AND NEW PUBLICS

It would be incorrect to leave the impression that the problem of "money politics," scandal and mutual squabbling among politicians are the only causes of conservative decline and opposition confusion in Japan. Even Lockheed, the most serious episode of political corruption in the postwar era, did less damage to the ruling party than might have been expected. In any case, Lockheed is too recent to explain the long-term trends that have been predicted for many years as consequences of rapid economic growth. Affluence and urbanization created a huge new middle class (90 percent of the Japanese now consider themselves members of it!) with new demands—including social overhead investment, urban amenities, improved educational facilities, environmental protection, consumer-oriented economic policies, and improved welfare benefits for the unemployed and the aged. The LDP did not recognize these burgeoning demands soon enough to prevent the erosion of its popularity among voters who found its performance inadequate.

In addition to voter dissatisfaction, the sheer task of governance is also complicated for the LDP by the rise of vast numbers of new pressure groups. No matter what policy or project the LDP recommends, it faces articulate objections from some group likely to be

affected. Reaping its reward for years of economic development without consulting the local population, the government faces objections to every oil refinery or oil storage depot (both high priorities since the Arab embargo of 1973), highway or bullet rail line, airport or land reclamation site, conventional or nuclear power plant. In addition to the agricultural cooperatives that want subsidies, price supports and tariff protection for their farm products, the LDP must also contend with consumers' groups who want the abolition of protectionist barriers that inflate food and commodity prices, a streamlined distribution system that could eliminate the small entrepreneurial middlemen who support the LDP, and lower prices when worldwide inflation seems endemic.

One issue that vividly displays the conflicting cross pressures faced by the government is nuclear power; the government's attempt to expand nuclear facilities conflicts on the one hand with disapproving allies concerned about nuclear proliferation and on the other hand with a hostile community wherever plants are to be located.

Believing that nuclear technology is safe and economical in an age of shrinking conventional fuel supplies, the Japanese government is determined to develop nuclear power, particularly fast breeder reactors that produce more plutonium fuel than they consume and could therefore make Japan relatively independent not only in terms of oil but also in terms of natural uranium. The government's long-term policy foresees an expansion of nuclear power plants and the independent development in Japan of related facilities for uranium enrichment, fuel reprocessing and waste disposal, all supported by Japan's own nuclear research and development and her ability to manufacture Japanese-designed plants.⁸

Japan's vulnerability to fuel shortages and her reliance on the generosity of foreign suppliers, accentuated during the oil embargo of 1973, are the reasons for this emphasis on independence. At present, Japan purchases natural uranium from Australia, Canada and the United States. All this uranium is enriched into fuel-grade material in the United States and, according to the terms of Japan's nuclear fuel agreement with the United States, the United States has effective veto power over Japan's use of it. Canada and Australia have similar policies regarding the subsequent use of natural uranium from their mines, and negotiations over new agreements with Japan are deadlocked because of their insistence on a similar veto power. Thus Japan may soon have to clear every

reprocessing and waste disposal arrangement with two foreign governments. Japan currently has contracts with Great Britain and France to reprocess and store spent fuel and to dispose of radioactive waste in those two countries. Although Britain and France are not so concerned with proliferation, they take advantage of Japan's vulnerability by insisting on contractual terms very favorable to themselves.

It might appear that Japan conveniently contracts out the most dangerous "dirty work" associated with nuclear power. But the Japanese government believes that Japan's dependence on other nations eliminates the major advantage of nuclear energy over oil—dependence from a potentially unreliable foreign supply—and deprives Japan of bargaining leverage when prices and terms are discussed.

Japan must tolerate the United States veto over its nuclear power program because the United States is Japan's only source of enriched uranium. In July, 1977, Japan's first experimental reprocessing plant at Tokaimura was scheduled to begin hot runs using real spent fuel, but the United States did not agree to the facility's operation until September, after an inspection of the site. For a two-year trial period only, Japan will be allowed to operate the facility to isolate liquid plutonium nitrate from the depleted uranium rather than keeping the plutonium and uranium combined (called "co-processing"), as the United States would have preferred. But Japan will not be allowed to begin construction of a facility to convert liquid plutonium nitrate into the solid plutonium oxide usable as fuel, and will have to store the liquid plutonium nitrate instead. The agreement saves Japan—temporarily anyway—from the enormous expense of remodeling the plant for co-processing, but slows Japan's plans for commercial reprocessing by many years.

Similarly, in order to discourage proliferation and, more important, to deal with its trade deficit, the United States wants Japan to buy complete nuclear plants, not just uranium, from the United States. But purchasing ready-made reactors would exacerbate Japan's dependence and might also complicate the chore of keeping the reactors in working order. Furthermore, Japan has had dismal experience with defects in the fuel rod assemblies of American-made light-water reactors and wants to use different designs. Many causes of these defects have been suggested, from manufacturing defects to poor precautions and inadequate safety inspections in Japan (a French engineer working at a Japanese site called

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⁸See the Japanese government's series of *Genshiryoku Hakusho* (White Paper on Nuclear Energy). The 1977 edition is discussed in *JTW*, January 7, 1978. On Japan's nuclear dilemma, see also Karl Dixon, "A Complete Nuclear Fuel Cycle for Japan?" *Pacific Community*, vol. 9, no. 3 (April, 1978), pp. 341-363.

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"Despite . . . ambiguous political considerations, Japan has coped remarkably well with uncertainty. Nutritional standards are as high as any in the world. . . . [Nonetheless] given the limited space used to feed well over 100 million people, it is no wonder that the Japanese are concerned about food supplies."

Japan's Search for Food Security

BY MICHAEL W. DONNELLY

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FOOD security looms large in the world's future. The problems of unpredictable food supplies are not unfamiliar in Japan, especially to the nation's leaders. Food production has not kept pace with Japan's population growth in the twentieth century. The political, economic and psychological implications of inadequate subsistence have thus confronted the Japanese before. Today, the dilemma involves more than the grim race between limited food supplies and the uncontrolled population growth described by Malthus more than 175 years ago. Questions about adequate subsistence in Japan are related to rapid economic change, the political and economic logic of international trade, the need for national security and the imperatives of political choice. Questions about food are the problems of political economy.

Throughout much of her modern history, Japan faced an uncertain food supply, most notably in the decade from 1939 to 1949. Before 1939, the country's food supply, supported by forced imports from Korea and Taiwan, was barely adequate in terms of calories and variety. Agriculture became an obsession during World War II. Government bureaucrats nervously tracked each phase of the harvest cycle, gathering data and issuing laws, regulations, quotas and commands. The production, distribution and consumption of food were all placed under state control. Despite the heroic efforts of the Japanese peasants, the fear of shortages and hunger haunted the society during the last months of the war.

Conditions worsened after surrender. Adequate subsistence became a common concern, which helped bring together defeated Japanese leaders and American reformers, who together did everything possible to control distribution and boost production. The prob-

lem of food dominated the lives of most Japanese. Black markets flourished. No issue was more urgent or pervasive. Although massive starvation was avoided, many adults over 40 years of age still remember the deprivations caused by scarcity and hunger.

By 1949, the menace of food shortages had receded. American imports of grain and other foods were crucial in overcoming the crisis. A bumper crop of rice in 1955 demonstrated that the lilliputian farms, which today still average about 1 hectare, could supply all the country's most important staple food despite substantial population growth. A major effort to increase domestic production, including the widely lauded land reform, was effective. But Japan still had to import about 7 million tons of food each year to ensure a diet comparable to the diet maintained in most countries of Asia and Latin America.¹

After 1955, rapid economic growth began to change the nature of Japanese food demands. In recent decades, Japan has not been hampered by great population explosions like those experienced by China, India and other parts of Asia. In the immediate postwar period, Japan's population increased enormously because of a baby boom and the repatriation of overseas Japanese. The total population grew from 72 million in 1945 to about 83.2 million in 1950. Thereafter, government-sponsored programs that encouraged family planning helped decrease birth rates. In recent years, the growth of Japan's population has been constant at 1.1 percent a year; her total population in 1975 was 111 million.

The most important factor affecting food consumption in Japan has been income growth. Increased affluence supported lowered birth rates and fostered changes in food habits. In the late 1950's, the consumption of rice and other starches began to decline for many income groups, while demand rose for meat, eggs, dairy products, fruit and vegetables. Japanese had reached a "turning point" in their food habits.

¹See the excellent discussion on food conditions and policies in Japan by Fred H. Sanderson, *Japan's Food Prospects and Policies* (Washington: The Brookings Institution, 1978).

The Basic Agricultural Law adopted in 1961 was designed to serve as a guideline to a new approach in agriculture.² In Japan's rapidly growing economy, agriculture had to be more productive, efficient and responsive. Japanese farmers had to turn away from traditional farming, emphasizing rice and other grain production, toward greater emphasis on specialty crops and livestock production. The new law promised price and other policies that would be rational, progressive and directly related to the changing conditions of a rapidly growing industrial society.

Some of the agrarian population would leave the countryside, following the lure of industrial and urban life. The scope of farm management would expand, and food production would move toward foods for which demand was increasing. Labor productivity would increase and farm incomes would rise, in line with incomes in other sectors of the economy. A new economic balance would be imposed in agriculture through selective state aid and support.

It is often said that Japan's dependence on imports of raw materials, energy and food for survival fosters a collective feeling of being "defenseless on all sides." Japan's desire to be self-sufficient in food is supposed to be deeply rooted in popular attitudes. But by the late 1950's, concern about reliable food diminished, and during the subsequent decade, when the country's gross national product (GNP) rose at an annual rate of more than 10 percent and population grew by about 14 million, little attention was given to self-sufficiency in annual white papers on agriculture. Annual reports on the state of agriculture from the Ministry of Agriculture and Forestry to the Parliament also paid little attention to food self-sufficiency. As late as 1972, government planners and private research organizations were calmly projecting a continuing and rapid decline in the agricultural economy as a consequence of official programs of rationalization and liberalization.

In a period when the international market provided sufficient food, stable or declining prices and large grain stocks, it was forgotten that adequacy in food is a measure of a nation's power. The inability of Japan's farmers to satisfy more "Westernized" consumption patterns and a rapid rise in demand for grains to feed livestock led to a large increase in imports. The import policy seemed rational for a government-business elite determinedly pursuing the goal of rapid growth based on capital-intensive in-

dustrialization and unhindered access to world resources and technology.

The goals of the Basic Agricultural Law were partially achieved. Overall production in agriculture grew at about three percent annually during the 1960's. The production of vegetables and fruit improved; the livestock industry grew impressively; and the dairy industry exceeded a growth rate of 10 percent each year.³ Nonetheless, by the early 1970's Japan had become the world's greatest importer of agricultural products, claiming close to 10 percent of all foods traded on the international market. For commodities like grain sorghum, soybeans, maize and raw sugar, the percentage was higher.

PROBLEMS AFTER 1972

The disturbing suddenness with which food problems developed after 1972 created grave doubts about this pattern of food resources. Worldwide shortages, the tripling of many agricultural prices, the temporary embargo on United States soybean exports, informal controls on grains and the oil crisis awakened Japan's primeval fear that she was defenseless and vulnerable in an uncertain world. The way the food crisis was reported and explained by the government and mass media was probably as important an element in stirring concern and fear as the collective memory of past ordeals.

The white paper on agriculture in 1973 helped to clarify the situation. A nation's self-sufficiency ratio can be defined and computed in a number of ways. However measured, Japan's food power declined extraordinarily from 1960 to 1972. The aggregate ratio for self-sufficiency in agricultural products, as measured in value terms, was 90 percent in 1960; it declined by 1972 to 72 percent. Self-sufficiency in concentrated feed dropped from 67 percent to 36 percent in the same period. The effective ratio in self-sufficiency in terms of "original" calories dropped from 80 percent to 54 percent, the lowest percentage among the world's industrial countries.⁴

Little attention had been given to the production of wheat and other grains needed for a growing livestock industry. Many farmers had given up winter cropping in favor of part-time industrial employment. Thus, the total cultivated acreage for food purposes declined from 8.2 million hectares in 1960 to a little less than 6.0 million in 1972. The decline in self-sufficiency of wheat (from 39 percent to 4 percent), barley and naked barley (from 107 percent to 11 percent) and soybeans (from 28 percent to 4 percent) was startling. Only rice was abundant, at an enormous cost to the national treasury and consumer and at the expense of other agricultural policies. Rice-related programs took about half the total budget for agriculture. Consumers were paying at least three times the international price of rice. Rice was the most reliable

²An account of agricultural policies during the period under discussion can be found in Organization for Economic Cooperation and Development, *Agricultural Policy in Japan* (Paris, 1974).

³*Ibid.*, pp. 9-15.

⁴See an interesting analysis by Takekazu Ogura, "Implications of Japan's Declining Food Self-Sufficiency Ratio," *The Developing Economies*, vol. 14 (December, 1976), pp. 419-448.

crop to grow, and the price never declined. The nation apparently faced a "food" problem for the first time since the late 1940's.

JAPAN'S FOOD POSITION

Four years after the world food crisis, Japanese leaders are still not sure how best to achieve "food security." Japan is nearly self-sufficient in a number of important items, including most vegetables, some livestock products and certain seafoods.⁵ There is a surplus of *mikan* (mandarin oranges). In 1961, many farmers were urged to move from rice cultivation to *mikan* production. Now the industry is in a slump, and the government is pursuing an emergency fruit-thinning program to reduce the surplus. At the same time, the United States government is asking Japan to import more American oranges. Japan also has a surplus of rice, which in the fall of 1978 will probably reach 5.3 million tons, equivalent to about half the annual consumption. Exports of agricultural products are unimportant, comprising less than one percent of all exports.

External sources of supply are relatively concentrated. United States farm commodities sales to Japan approached \$4 billion in 1977, making Japan the single most important market for American agricultural exports. American farmers provide about 30 percent of all Japanese imports, including wheat (57 percent), corn (74 percent) and soybeans (94 percent). Almost half of Japan's total imports from the United States are agricultural products.

Australia supplies about 13 percent of Japan's total food imports, including beef, mutton, lamb, wheat, grain sorghum and raw sugar. Canada's major exports to Japan include wheat, barley, rapeseed and pork. Altogether, these three countries supply about half of Japan's agricultural needs.

No other food producers command such a large share of the Japanese agricultural market, although some commodities like raw sugar and bananas are imported from only a few countries. Asia accounts for almost 25 percent of Japan's total imports; Thailand, Taiwan and the Republic of Korea are the major exporters. In 1977, Japanese fishermen harvested about 10.7 million metric tons of seafood from the world's waters, more than any other country in the world. Close to half of this harvest was taken within 200 miles of another nation's shores.

Not all food items are free to flow into Japan, and many commodities are still isolated from foreign

⁵Unless otherwise indicated, the various statistics on Japanese farming and trade flows are taken from the following sources: *Norin Suisan Tokei Geppo* [Monthly Statistics of Agriculture, Forestry and Fisheries], January, 1978; *Poketto Norin Suisan Tokei* [Pocket Edition, Statistics of Agriculture, Forestry and Fisheries], 1977; and Japan External Trade Organization (JETRO), *White Paper on International Trade*, 1977.

competition. Domestic agriculture is protected by a variety of import measures: quotas, tariffs, licensing requirements, state trading, variable levies and by various health and sanitary regulations. Regulations of the percentage of certain weeds allowed in bales of hay restrict imports from the Pacific Northwest. Exports of grapefruits and lemons from the United States are restricted because of strict standards regarding fungicide residues. Foreign producers often claim that the Europeans and the Japanese have the most effective barriers to agricultural trade ever devised.

WHY JAPANESE WORRY

It is easy to discern why the Japanese government and political leaders worry about food. Most projections about future international supplies are gloomy; world population is growing; weather is becoming more uncertain; and the costs of production are rising. The United Kingdom, Italy and West Germany all have serious food deficits.

But among industrial nations Japan is the only large importer not integrated into a regional group. Traditional suppliers like the United States can probably be relied upon. But American politicians worry about consumers and producers. Food policy in the United States seems to be more concerned with consumer welfare and farm equity than with international trade. In the United States, long-term policies might again be adopted to reduce production in the interest of maintaining farm incomes. Moreover, while GATT (the General Agreement on Tariffs and Trade) agreements make it difficult for countries to restrict imports, there is no international framework to regulate export controls.

Japan's trade surplus and her general economic position make her a powerful figure in international trade flows. Many Japanese argue that the country should continue to expand its industrial might without special concern about agriculture and self-sufficiency. Japan no longer faces balance-of-payments problems. But the counter-argument is that, in a time of food scarcity and distorted distribution, it may be suspected that Japan is using her economic resources to take too much food. The worldwide trend toward a 200-mile fishing zone is also a direct threat to important sources of Japan's food supplies. In 1978, the Ministry of Agriculture and Forestry was renamed the Ministry of Agriculture, Forestry and Fisheries as recognition of the new importance of fisheries.

Farmers in Japan are as skillful and resourceful as any in the world. They have made remarkable achievements in rice cultivation through the use of power cultivators, threshers and hulling machines. Some dairy farms in Hokkaido are as efficient and modern as any in America's Middle West or in Ontario, Canada. Creative innovations in the farm-

machinery industry have helped overcome limitations inherent in small-scale agriculture. Nonetheless, many foreign critics would argue that Japan might be well advised to use a great deal of her land, labor and capital for non-agricultural purposes and to import a great deal of her food needs. Many experts and officials in Japan worry more about the "disintegration" of farming and rural life.

THE FARM POPULATION

Japan has about half the population of the United States in an area 10 percent less than that of California. Less than 16 percent of this small land area is suitable for cultivation. Per capita acreage available for food production is about 0.05 of a hectare (2.47 acres), lower perhaps than that of any other country in the world. The land is not especially fertile, although there is enough rainfall and a long growing season in much of the country.

The population actively engaged in agriculture has diminished considerably in the past two decades. But the average farm size has not increased; few farms are over 2 hectares. Families who are no longer engaged in agriculture have not moved away, and many are reluctant to sell their valuable property. Land prices are extremely high, even in remote prefectures. In 1976, the average price for 10 acres of paddy fields was Y685,000 and the price for 10 acres of upland fields was Y419,000.⁶ Few full-time farmers can pay such prices.

Choice farmland, however, continues to disappear to meet the voracious needs of industrialization and urban sprawl. Thus, as long as agriculture requires soil, the relative balance between Japan's total population and the amount of arable land will be a major obstacle to improved levels of domestic production.

Farms in Japan are tiny. It is often said that "the Japanese have no agriculture, only horticulture." Indeed, most individual "farms" are really bits of land, scattered about in different parts of a village, and most farming is a part-time occupation. Only 13 percent of all farms in Japan are categorized by the government as full time; almost 70 percent of all farms are classified as engaged mainly in non-agricultural activities. Less than 7 percent of all farm households are classified as economically "viable." Well over 50 percent of the agricultural working force is female; only a tiny portion are males under 29 years of age. In 1955, about 260,000 young people chose to take up farming after schooling; in 1976, the number had diminished to 10,000. It is hard for young men to find brides willing to live and work on a farm.

Part-time farms run by grandparents, wives and children have permitted farm households to maintain

income levels. A husband can divide his time between farm work at home and industrial work in a nearby factory. But this farm structure has impeded the enlargement of farm scale and has limited productivity gains, inhibited adequate response to changing consumption patterns, created grave doubts about the vitality of rural society, and raised serious questions about the future composition of Japan's core workforce.

The future of the countryside might appear doubtful, and Japan may have few comparative advantages in agriculture. But the conservative government is not planning to lessen its support of domestic agriculture, especially during an uncertain transition period. The Ministry of Agriculture, Forestry and Fisheries has been trying to implement a program of "integrated food policies" since 1975.⁷ The projections for agriculture, which have been formally adopted by the Cabinet, have not been incorporated into an economic plan. They do not constitute a crash program in economic development. Rather, the program is an effort at long-term "indicative" planning to be used as a guideline for future policy. Major stress has been placed on enlarging the capacity of Japan's domestic production.

The "integrated" targets, designed to boost overall self-sufficiency to 75 percent by 1985, include the following goals:

- the development of some new arable land and the restoration of double-cropping to increase the overall planted area by 836,000 hectares;
- the promotion of wheat, barley, soybean and rapeseed production;
- the promotion of forage production through acreage payments;
- renewed efforts to encourage full-time farming;
- the use of price policies to encourage the production of food rather than as welfare policies to guarantee farm incomes;
- the continuation of the rice-diversion program to encourage the production of other food crops;
- assistance to the fishing industry to develop marine resources in waters near Japan;
- the development of new food resources;
- the promotion of rice consumption.

Actions were also promised to diversify and stabilize food imports and a more positive attitude towards bilateral and multilateral commodity agreements was pledged.

Production targets were set for all food commodities. The projections call for near self-sufficiency in rice, vegetables and potatoes. Self-sufficiency will also be achieved in pork, chickens and eggs, which are highly dependent on imported feed grains. Marginal improvement was projected for fruits, milk products, beef and fish. It is expected that Japan will continue to be a major importer of wheat, livestock feed and soybeans.

The goal of raising self-sufficiency by about 2

⁶100 acres equals 1 hectare.

⁷Described in Sanderson, *Japan's Food Prospects*, ch. 4-5; See also *Nihon Nogyo Nenpo* [Annual Report on Japanese Agriculture], vol. 24, pp. 3-31.

percent in 13 years appears modest. However, when growth in domestic demand (including population growth, which is expected to increase by about 1 percent a year) is taken into account, the projections imply an increase in production of about 27 percent. Specific measures to achieve these targets include price incentives, loan programs, subsidies of various kinds, reclamation projects, and land improvement schemes.

Agricultural policy remains ambivalent with regard to international trade. Support prices for basic crops in Japan are among the highest in the world, despite the import record. Visitors have been astonished to see a single prize apple going for Y1,500 in a Tokyo department store. Foreign imports are usually not allowed to undercut domestic products. Australian beef imported at Y300-Y450 per kilogram retails for Y3,000 in major cities. In the case of oranges, a representative of the California citrus industry recently complained that a carton of California oranges selling for \$75.00 in Japan cost only \$5.00 to \$6.00 in the United States. Japanese households pay double and sometimes up to five times as much for many foods as their North American counterparts. Consumers want lower prices, including cheaper imports. At the same time, foreign suppliers are demanding that Japan buy more of the same agricultural products that Japanese farmers are being encouraged to produce if they abandon rice cultivation.

THE POLITICAL FACTORS

The expansion of Japan's self-sufficiency in food is not going to be an easy task. The plausibility of the various assumptions underlying specific projections have been scrutinized by Japanese and foreign experts.⁸ Most studies the author has seen have been doubtful: the projected expansion of land-use is not possible; the enlargement of farm-scale will not be achieved; the future growth of the demand for meat has been underestimated; the doubling of forage production is unrealistic. Even if production goals are theoretically possible, the effort would be extremely costly. One study estimates that the net social cost would be equivalent to about 25 percent of the 1976/1977 GNP; thus it would be a substantial transfer payment to agriculture and a real reduction of Japan's national income.⁹ Will funds be forthcoming?

The adequate provisioning of future food clearly hinges on politics and policy. But perhaps government

policy is the most uncertain variable of all. Politics might make further foreign inroads into the Japanese market more difficult. In addition, the farm lobby and the complex administrative machinery built around rice cultivation might make it difficult to change Japanese patterns of cultivation.

A substantial "rural voice" is heard in the deliberations of the ruling Liberal Democratic party (LDP). Every Prime Minister since Kishi Nobusuke (1957-1960) has numbered many farmers in his riding. Less than 20 percent of the population lives in rural areas; only 11 percent of the work force is engaged in primary industries. But rapid industrialization has not spelled the end of rural political power. Japan's electoral districts can be divided into four categories: metropolitan, urban, semi-rural and rural. LDP support is weak in the first two categories. A recent study shows that its support has remained at about 60 percent in semi-rural districts and 70 percent in rural districts.¹⁰ While there is some regional concentration of rice production, rice farmers are found in all rural areas. Rural districts are also grossly overrepresented in the national Diet.

The political implications are clear to a ruling party desperately trying to hold a majority in Parliament: keep farmers reasonably happy even while seeking new ways of broadening political support. Rural politicians become party leaders and Cabinet officials. Rice farmers easily muster 200 or more LDP members when they demonstrate in Tokyo each year during the "rice-pricing season." Dairy farmers, beef farmers and fruit farmers all have their support. Even cultivators of *konnyaku* (devil's tongue plant), concentrated in the riding of Prime Minister Takeo Fukuda and party strong-man Nakasone Yasuhiro, have friends at the top. The result is predictable. During the recent trade negotiations with the United States, 100 LDP members opposed further liberalization of the beef trade. Over 200 party members supported fruit farmers in their fight against further imports of American oranges and grapefruit. The Minister of Agriculture warned that United States demands were too high; the Minister of External Economic Affairs declared that Japan was not ready to accept "cheap foreign products." Fukuda is on record saying that "no one loves farmers more than the LDP."

Farmers also have allies in the five opposition parties. Indeed, the LDP's opposition has frequently been more enthusiastic than the conservatives in its support of farmers. The Japan Communist party and the Japan Socialist party are firm advocates of greater "food security." All opposition parties, including the urban-oriented New Liberal Club, favored higher subsidized rice prices in 1977 than the stalwart wing of the LDP. The opposition also urged restrictions of wheat supports, programs to expand rice consumption, and unlimited purchases by the government of

⁸Ibid.

⁹Malcolm D. Bale and Bruce L. Greenshields, "Japanese Agricultural Distortions and Their Welfare Value," *American Journal of Agricultural Economics*, vol. 60 (February, 1978), pp. 59-64.

¹⁰J.A.A. Stockwin, *Japan: Divided Politics in a Growth Economy* (London: Weidenfeld and Nicholson, 1975), p. 100.

all domestically produced rice, a program abandoned by the LDP some time ago because of its cost. In recent years, the opposition parties have made new inroads in rural areas as a consequence of such proposals.

Farmers are also well organized. The Association of Agricultural Cooperatives has maintained access to top political leaders in all parties, has developed remarkably effective mass-lobbying techniques, has contributed organizational and financial support to political parties, has sponsored their own candidates to Parliament, has maintained access to the Ministry of Agriculture, Forestry and Fisheries, has sponsored extremely competent proposals concerning all aspects of agricultural policy, has retained the membership of almost all farm families, and has played a key role in agricultural administration. A United States agricultural attaché in Tokyo once muttered with conviction that Japanese agricultural policy is really made by the cooperatives. Several farm unions, affiliated with the opposition parties, also call for protected agriculture and national security.

The Ministry of Agriculture, Forestry and Fisheries employs about 55,000 civil servants, making it one of the biggest ministries. The Food Agency has 22,000 employees at the national and prefectural level of government, whose chief worry is domestic agriculture. A handful of former ministry officials are usually elected to the Parliament in each national election, and many of these ex-officials rise to power in the LDP. Political support in the LDP and the farm movement will help the ministry pursue policies of self-sufficiency and protection. The ministry is not the unquestioning pawn or captive of rural zealots, but Nakagawa Ichiro, the Minister of Agriculture, has been a firm ally of rice farmers and has publicly rejected demands by the head of the Economic Planning Agency for more agricultural imports.

The administrative vice minister, the highest ranking civil servant in the ministry, has also warned that "there is no reason for farmers to clean up the foreign trade mess created by excessive exports of manufactured goods." Indeed, the most recent white paper for agriculture warns that there is little room for more farm imports. The report explicitly turned down demands from the United States, the European Common Market and Australia for further access to the Japanese market.

The consequences of politics are apparent. To save farmers from economic extinction, the government relies on a variety of price and marketing schemes to support incomes. Japan's protectionist policies have certainly checked the growth of imports of beef, pork, citrus products and other commodities and have thus

contributed to inflationary pressures. Recent events also suggest that trade protection helps private industry. The import of beef is regulated by the government's Livestock Industry Promotion Corporation. Only designated dealers are permitted to handle beef marketing. The distribution system is called the "dark continent" by journalists, "extremely suspect" by the Japan Communist party, and an "outrage" by foreign exporters. News reports have made it clear that a few big meat brokers and a couple of trading houses are making extraordinary profits in the beef trade.¹¹

High prices, protected markets and profiteering have stirred anger at home and abroad. Japanese consumers are more suspicious of the Ministry of Agriculture than ever before. Urban-based politicians in the LDP have organized and consumer groups have marched in protest. Various academic groups have endorsed a variety of plans to reduce food costs.

Trading partners are also angry. A recent *New York Times* report suggested that the Japanese government seems "prepared virtually to wreck the Tokyo round of continuing negotiations sponsored by GATT" in order to preserve the mandarin orange industry. Robert Strauss, United States President Jimmy Carter's economic adviser, has also warned that he will not be able to "sell" Congress the trade package that he is currently trying to put together unless there is a bigger orange quota in Japan.¹² It is astonishing to see Strauss pounding away at agriculture, since a few tons of beef or an additional shipload or two of oranges is hardly going to make a dent in the \$9-billion trade deficit the United States has with Japan.

It is ironic that few farmers in Japan perceive themselves especially privileged by government policies. Like their counterparts elsewhere, many Japanese farmers are caught in a difficult price-cost squeeze. The small-scale farm system exacerbates the lag between rural and urban incomes in a high growth economy. Most farmers prefer the stable income from the government's support program in rice to uncertain ventures in vegetables, fruit or dairy farming. Doubts about liberalization reinforce this conservatism.

THE OUTLOOK

Political factors thus intrude on economic considerations in a variety of ways. The Strauss-Ushiba agreement of January, 1978, included the removal of quotas on a number of agricultural commodities. Only 22 food items are now subject to residual

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¹¹Yokota Tetsuji, *Gyuniku wa Naze Takai ka* [Why is beef expensive?] (Tokyo: The Simul Press, 1977).

¹²The *New York Times*, July 17, 1978.

"In Japan, one begins to see an emergency corporate state in which negotiations among national-level interest groups, with the government's participation, may replace market forces and pluralistic . . . collective bargaining."

The 1973-1978 Stagflation in Japan: A Watershed?

BY KOJI TAIRA
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WHEN the Arab countries dramatically used their "oil weapon" in the autumn of 1973, many (including this author) believed that Japan would be ruined.¹ No amount of belt-tightening export efforts seemed enough to pay for the quadrupled oil import bills. In hindsight, this view was far too pessimistic. Now, five years after the oil crisis, Japan, West Germany and Switzerland belong to a club of countries humorously dubbed a "new OPEC" for its considerable aggregate foreign exchange surplus, which matches the surplus of the real Organization of Petroleum Exporting Countries. Furthermore, as the glut of oil in the international oil market blunts the edges of OPEC's "oil weapon," world expectations now center on the weaponless "new OPEC" for a wise use of its economic resources. Witness the recent summit of industrial nations at Bonn, West Germany, in July, 1978.

However, Japan's use of her resources for world purposes compared to other major nations leaves much to be desired. If Japan's inability to play the role expected of her in the world arena continues, a possible estrangement (or ostracism) from the world will eventually become a bottleneck in Japan's economic growth. Indeed, many observers have been puzzled by the apparent discrepancy between what one would expect given the economic level and performance of Japan and what Japan really is or actually does.

¹Koji Taira, "Japan After the 'Oil Shock': An International Resource Pauper," *Current History*, vol. 68, no. 404 (April, 1975), pp. 145-148ff.

²See, for example, Lewis Austin, ed., *Japan: The Paradox of Progress* (New Haven and London: Yale University Press, 1976).

³These aspects of Japan are drawing increasing attention in recent years; e.g., Yoshio Sugimoto, "Quantitative Characteristics of Popular Disturbances in Post-Occupation Japan (1952-1960)," *Journal of Asian Studies*, vol. 36, no. 2 (February, 1978), pp. 273-292.

Many essays have been written about the "paradox" of modern Japan.² A popular image of Japan emphasizes such alleged strengths as racial-cultural homogeneity, harmony in human and social relations, consensus in decision-making, unity for national purpose, hard work and self-sacrifice. Other aspects of Japan are ignored, especially those which suggest that Japan is really a turbulent society with unstable values and priorities, where individuals or groups readily clash for a temporary advantage or for the defense of vested interests, or where issues are suppressed rather than resolved, with consequent repeated upheavals under shifting circumstances.³

What is needed is a more comprehensive understanding of Japan and a more systematic effort to explore Japan's social dynamics and to assess Japan's capability to evolve. Studying the way Japan has survived the crisis of 1973-1978 offers an opportunity to look into Japan's survival capability and her pattern of accommodation to change. Because of her trials during the unprecedented stagflation, Japan has begun to evolve a new social system. In short, the 1973-1978 stagflation was a watershed in Japanese history, and on this side of the watershed one begins to see the emergence of a new system that may be called "a new corporate state."

During the first quarter of 1978, the index of industrial production finally returned to the pre-recession peak of 1973, ending postwar Japan's unprecedented five-year economic slump. Thanks to the strength of certain export industries and of non-industrial sectors (especially services and the public sector), Japan's GNP (gross national product) rather quickly pulled out of the negative growth of 1974 and in the fourth quarter of 1977 reached a level about 14 percent above the 1973 average. A 14 percent growth in 4 years is certainly a far cry from the annual 11 percent growth that characterized Japan's economic performance for 20 years before 1973.

The balance of payments on Japan's current account (trade in goods and services) has gyrated wildly since 1970. From a surplus of about \$2 billion in 1970, it reached a peak surplus of \$6.6 billion in 1972, then recorded a deficit of \$136 million in 1973, further sank to a deficit of \$4.7 billion in 1974, returned to a surplus in 1976, and attained a remarkable surplus of \$11 billion in 1977, in all likelihood promising an even bigger surplus for 1978.

A \$16-billion turnaround on the current account in three years (from negative \$4.7 billion to positive \$11 billion) is startling by any standard of economic fluctuation. A factor in Japan's balance-of-payments turnaround this time has been exports which, concentrated in a few commodities and in a few countries, especially the United States, gave rise to cries of "foul" in the affected countries. Even the Japanese now acknowledge that the flow of exports from Japan has been like a torrential rainstorm that fell on a few spots without warning (*shuchu gou*).

That no one knew for a long time what was happening to Japanese exports can be seen in the insensitive movement of the supposedly freely fluctuating exchange rates between the yen and other currencies, especially the United States dollar. After the oil crisis of 1973, the yen quickly depreciated relative to the dollar, but until September, 1977, it did not return to the status quo ante, that is, to the exchange rate of February, 1973 (when the dollar was devalued by 10 percent in addition to the Smithsonian realignment of December, 1971, and when Japan promised to let the yen "float" freely in the exchange market). Then, all of a sudden, an exchange crisis was heard all over the world, and the yen speedily appreciated from 270 yen to one United States dollar at the beginning of September, 1977, to 200 yen in July, 1978. It is widely believed that the Japanese central bank had long kept the yen undervalued by a policy of "dirty" float (intervention in the exchange market to prevent the "clean" float that might push up the value of the yen). It is also rumored that in September, 1977, the United States Secretary of the Treasury circulated the word that the yen was undervalued. Be that as it may, a 26-percent appreciation of the yen in less than a year is another "violent" change in economic relationships recently faced by Japan.

Amazingly, however, the Japanese have neutralized the effects of the sharp appreciation of the yen by methods no one has yet ascertained. The rise in the dollar price of the yen ordinarily should have raised the prices of Japanese exports in importing countries like the United States. This price rise took place at rates far below the rate of appreciation for the yen. Likewise, the United States goods imported into Japan should have become cheaper to Japanese consumers by 26 percent. Nothing of the sort has yet happened. Thus, regardless of changes in the ex-

change rate, Japanese exports to the United States remain strong, while United States exports to Japan are just as sluggish as before. This anomaly is lately beginning to produce increasing dissatisfaction among the Japanese consumers, who are denied the benefit of the rising value of their hard-earned yen. It is curious that an economic anomaly that markets fail to correct must be corrected by social unrest.

DOMESTIC PRICES: INTERNAL RESPONSE

In the course of the recession and recovery, the prices of goods and services fluctuated violently. The wholesale price index jumped by 15.8 percent in 1973 and by 31.4 percent in 1974. And then the rate of increase suddenly plummeted to 3.0 percent in 1975, rose a little to 5.0 percent in 1976, but fell again to 1.9 percent in 1977. The consumer price index followed a similar pattern. It rose by 11.7 percent in 1973, by 24.5 percent in 1974, and by 11.8 percent in 1975. The increase in this index continued to decelerate: 9.3 percent in 1976 and 8.1 percent in 1977. It was generally believed (in July, 1978) that the consumer price inflation for all of 1978 would be no more than 4 or 5 percent.

The sharp increases in all prices in 1973 and 1974 inflamed the fear of resource scarcities and caused mass hysteria. At its peak, goods disappeared almost the moment they were placed on the store shelves. The most humorous example of irrational consumer behavior was the craze for stockpiling toilet paper. Even Japanese tourists abroad were urged by friends and relatives at home to bring back as many rolls of toilet paper as possible. This apparently caused a brief toilet paper shortage in Japanese tourist spots like Hawaii. The craze soon cooled, and many households were left with several months' inventories of toilet paper.

The toilet paper craze signified a dilemma of progress; i.e., Japan had attained a high level of comfort which, among other improvements, included water-flushed toilet facilities requiring appropriate toilet paper. It is easy to dismiss this and similar episodes of consumer frenzy under scarcity as temporary aberrations. Yet some thoughtful people worried about the possibility that the Japanese would react counterproductively and irrationally when they were confronted by unfamiliar situations. Indeed, a novel detailing the hypothetical collapse of decency and the reversion of life to primitive barbarism during an economic crisis became an instant best-seller (Taichi Sakaiya, *Yudan* [A lapse of attention], which can also be read *Yūdan* [A cut-off of oil], Tokyo, 1975).

In all fairness to the Japanese, however, one should emphasize that they recovered their senses quickly and brought down the consumer price inflation from an annual 24.5 percent in 1974 to 11.8 percent the

following year. The halving of inflation in one year was a remarkable feat, although, from another point of view, a violent rise and a subsequent drastic reduction attested to a frightening degree of economic instability. The initial acceleration of inflation in Japan in 1973-1974 was due in large part to errors in fiscal and monetary policy; i.e., the government issued too much money and made credit too easy in overreaction to the fear of a slump in the wake of the oil crisis. These errors were rectified by drastic corrective measures, including sharp increases in the official rate of discount, a squeeze in money supply, a reduction in fiscal outlay, diverse forms of "administrative guidance," and campaigns against organized labor's demand for higher wages. In the course of violent shifts in economic conditions and drastic advances and retreats in public policy, the general public suffered. In the chaos, it was clear that the livelihood of the common people was threatened. Thus the first question for the common people was how to protect their livelihood. Organized labor had at least one answer: higher wages. And it held legitimate weapons: collective bargaining and the strike.

Under any circumstance, the workers' best defense against economic adversity is to keep their jobs and to increase their earnings. Because of Japan's sustained economic growth over more than 20 years and her rapidly expanding job opportunities, workers had little difficulty in finding and keeping their jobs until the economic stagnation affected employment in 1975. Because the possibility of joblessness remained largely academic, wage increases were the single most important objective of all workers for a long time. Organized labor and the buoyant labor market worked in perfect harmony to raise wages at accelerated rates year after year. Econometric models and the computer have ascertained that for between 15 and 20 years up to the mid-1970's annual wage increases can be explained by organized labor's bargaining power coupled with favorable labor market conditions.⁴ The bargaining strategy epitomized by *Shunto* (Spring Offensive, the labor movement's centrally coordinated waves of the enterprise-level bargaining for the revision of wages concentrated in two or three months of the spring each year) and the workers' willingness to exercise their "inalienable" right to strike (whether or not this right is explicitly granted by law and even if it is legally banned, as in the public sector) have been the main sources of the bargaining power of organized labor.

The power of organized labor was demonstrated

⁴One of the most illuminating books on this technical question is by Kazutoshi Koshiro, *Tenkanki no chingin koshō* [Wage negotiations at a turning point] (Tokyo: Toyo Keizai Shinposha, 1978).

⁵Kaoru Ota, *Shunto no shuen* [The end of the spring offensive] (Tokyo: Chuo Keizaisha, 1975):

with special effectiveness in the spring of 1974, when the rate of wage increases by collective bargaining averaged 32.9 percent, exceeding the 24.5 percent of consumer price inflation by a comfortable margin and defying the decline in the real GNP and in industrial production. Strikes and other forms of labor disputes reached an all-time high in Japanese history in 1974, with 3.6 million workers participating in work stoppages (at the cost of nearly 10 million working days lost) and more than 5 million workers resorting to dispute tactics other than outright strikes. The 9 million workers involved in labor disputes comprised about three-fourths of the entire membership of Japan's organized labor. This mobilization concentrated in the few months of the spring made the spring offensive of 1974 look almost like a "general strike." Organized labor proudly proclaimed that it was a "Nation's Spring Offensive" (*Kokumin shunto*).

In contrast, the 1975 Spring Offensive was not so successful. It would have been difficult to repeat the same scale of activities for the second year in a row. Moreover, by the spring of 1975, the stagflation's threat to employment had become clear. Inflation called for wage increases, but the fear of joblessness dampened worker militancy. In addition, employers, led by the national Federation of Employer Associations (*Nikkeiren*) argued that wage increases were the cause of inflation and emphasized the fact that the workers' objective, maintaining or increasing real wages, would best be served by foregoing increases in money wages. The argument was not new, but the employers' determination to resist the worker demand for higher wages reached a new level of ferocity.

The 1975 Spring Offensive mobilized 4.6 million workers in labor disputes, with 2.7 million involved in work stoppages, but it won only a 13.1 percent wage increase, 1.3 percentage points above the consumer price inflation of 11.8 percent. This real-wage increase was rather remarkable when set against general economic conditions, with industrial production more than 10 percent below the 1973 level and "regular employment" down 2 percent from the 1974 peak. Masses of "non-regulars" (casual, part-time, temporary, and subcontracting workers) had already been fired.

Nevertheless, in June, 1975, Kaoru Ota, former president of the Sohyo (the Japanese acronym for the General Council of Trade Unions), who invented the Spring Offensive as a collective bargaining strategy in the mid-1950's and commanded it for many years, flatly declared that the 1975 Spring Offensive was a failure.⁵ He noted that the Spring Offensive was an excellent strategy during the days of rapid economic growth, but declared that in the age of slow growth it would no longer be useful. Despite his counsel, the Spring Offensive was repeated as usual, only to demonstrate its ineffectiveness. In 1976 and 1977,

worker militancy suffered a drastic decrease and the Spring Offensives produced an 8.8 percent wage increase each, below the 1976 consumer price inflation of 9.3 percent, although above the 1977 inflation of 8.1 percent.

However, wage increases discussed throughout this section refer to negotiated increases in "standard" monthly rates; the actual earnings of individual workers could increase faster than these rates, depending on increases in overtime pay, bi-annual bonuses, allowances and other extraordinary payments. It was rumored that in some prosperous firms, unions and managements agreed on a kind of "sweetheart" contract by means of which the announced wage increases fell in line with the general Spring Offensive guidelines and special lump-sum payments were made to the workers unannounced.

Obviously, some moral erosion has occurred in the Spring Offensives. Indeed, apprehensions or expectations about a new direction of collective bargaining have been in the air for some time. One suggestion, made by Professor Kazutoshi Koshiro, is that the Japanese labor movement has now entered the stage of a "Japanese-style social contract" (*Nihonteki shakai keiyaku*).⁶ This coincides remarkably with this author's conceptual thrust in the direction of a "corporate state."

TOWARD A "NEW CORPORATE STATE"

Interpreting the environment and record of the Spring Offensives after 1974 is a challenge.⁷ As a direct demonstration of angry worker militancy, the 1974 Spring Offensive resembled, however remote, a confrontation between the working class and the business-government coalition across the barricades of class war. This is, of course, a mere analogy, but the specter of social revolution that it conjures up should be a useful reminder to shortsighted business and political leaders who might be eulogizing their triumph over worker militants during the Spring Offensives of 1976 and 1977. The ideology of the proletariat is still current on the left and in Japan's labor movement. If the business and political elite of Japan faced workers in the style of a "ruling class," the conventional ideological framework that justifies a violent uprising of the "oppressed classes" could easily be recreated in Japan with horrifying results.

Fortunately, Japanese workers, employers, and politicians are much wiser than that. In fact, after the Spring Offensive of 1976, both labor and business began to mend their relationships by kinder words to one another. And the government also played an important role. The Spring Offensive had long been a "public affair," conducted under the coordinating and moral leadership of national centers of employers and unions. The determination of economic variables like wages and the deployment of economic resources like employment have been matters of "public" concern and in some degree have been taken out of the strictly "private" market. In general, the more extensive, effective and centralized collective bargaining becomes, the less private and the more public its process and outcome will be. And the government can no longer remain indifferent to such an important public institution.

No formalized machinery of negotiation involving all three parties—labor, business and government—has yet come into being in Japan. But informal interdependence among them, demonstrated in some interesting ways in 1975-1977, demands a careful and sympathetic evaluation. A model of this interdependence may highlight its characteristics. Consider a typical Spring Offensive. Unions announce a demand for an X-percent increase in wages, and employers denounce the demand as outrageous and counter it by offering a much lower Y percent. Wages are the major source of the real disposable incomes of worker households; wages are also a major portion of employers' costs of production and a major instrument by means of which employers discipline and motivate their employees to obtain increasing labor productivity.

In addition, the role of government in fiscal and monetary policy is a major determinant for the price level, which greatly influences the workers' real income. The government policy is also a major determinant for the aggregate demand for goods and services, which, in turn, affects the level and profitability of employers' businesses. Just as employers want to resist workers' demands for higher wages because of their cost effects, so the government may want to

(Continued on page 184)

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⁶Koshiro, *op. cit.*, chapter 1.

⁷This section is inspired by the proceedings of the "Workshop on Japanese Interest Groups" convened by Bernard Silberman on May 13-14, 1978, under the auspices of the Social Science Research Council. Comparative papers presented at the workshop are particularly illuminating: e.g., Charles S. Maier, "On the Emergence and Limits of Interest Representation," and Philippe C. Schmitter, "Interest Intermediation and Regime Governability: A Japanese Epilogue."

In Japan, "when the students rioted, they made a valid and existential criticism of modern society."

Japanese Universities and Students Today

BY W. SCOTT MORTON

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JUST over 10 years ago, on January 17, 1968, in a carefully planned operation, several hundred Japanese students went by train to Sasebo to try to prevent the entry into Sasebo Harbor of the United States Seventh Fleet, especially the nuclear-powered aircraft carrier *U.S.S. Enterprise*. The students were garbed in their battle dress of helmets, crumpled trousers, jackets and rough cotton gloves. (They call this their "gewalt gear," from the German "power" or "force.") They carried wooden poles measuring two inches square and five feet long.

The contingent gathered on the station platform, cheered a brief pep talk from their leader, and set off down the railroad tracks in the direction of the harbor. A barricade obstructed their advance and they started to demolish it, under attack by 1,000 police with tear gas and mobile, high-pressure water hoses mounted on trucks. Before the students could get through, they were surrounded by more police contingents, and a general melee ensued. Police brutality was evident; instead of being arrested, students were beaten until they were unconscious and kicked after they lay unconscious.¹

The students did not succeed in preventing the entrance of the American fleet, but the "Sasebo bloodshed incident" of 1968 was a turning point in winning a large measure of public sympathy and support for the activist students, who had formerly been regarded as mere rioters. Not only were the Japanese sympathetic to the underdog, they were also afraid that they were going to be engulfed on the side of the United States in a war in Vietnam, which they opposed because they considered it dangerous and morally wrong. The students may have appeared naive, but they had the courage to express and act on their convictions.

What is the nature of the college environment which has nurtured these outspoken young men and women and their companions in the silent majority?

As a formal institution in the modern sense of the term, the Japanese university is only 100 years old, although the practice of higher learning is traceable at least as far back as the sixth century. In these last 100 years, the ordinary Japanese student has caught up with his Western contemporaries and perhaps has surpassed them in a desire to get ahead. This average student has had a solid preparatory grounding in education. School attendance up to the age of 14 is 99 percent, and the schools are thorough enough to produce a literacy rate of 98 percent for the population as a whole.

It is one thing to attend high school; it is another to work at the business of learning. Many Japanese boys and girls work themselves almost to death. One student reckoned he could get into university with four hours sleep at night; but if he gave himself five hours of sleep a night he would fail the entrance exam. One student in three fails to get into any university, and the failure rate for prestigious schools like Tokyo University is much higher.

If it were not for his supportive family, the Japanese student would be in an even worse state. He has a stronger sense of belonging to his family than his counterpart in the United States. Family solidarity has long been an outstanding element in Japanese society, and parents will sacrifice a great deal to send their children through the university. Although the student knows his family is supporting him, morally and financially, this very support also adds to his burdens, because he is all the more anxious to succeed for the sake of the family name.

Beyond getting into a good university, the average student leaving secondary school may not have any clear aim. The struggle, not to say confusion, in his mind perhaps reflects the mixed aims of the university itself. University authorities give the impression of being so involved in satisfying the public demand for education (and until 1968 they were also keeping ahead of student demonstrations) that they have no time to resolve the philosophic and prior question of their goals. It has been said with a certain over-

¹Usami Sho, "Zengakuren," *Japan Quarterly*, no. 15 (April/June 1968), pp. 233ff.

TABLE 1: Universities and Students
(1880—1945)⁴

Year	Universities	Technical Schools	Teacher Training Schools	Total Students
1880	1	74	3	7,299
1920	16	101	9	82,217
1945	48	309	142	408,149

simplification that the English have tried to give higher education to an elite group of leaders, that the United States seeks to give a general college education to as many as possible, and that Germany still holds profound scholarly studies in high regard. Japan, says Okochi Kazuo in an article on Japanese university problems, is trying to do all three things at once.²

HISTORY

The history of university development in Japan may be conveniently divided into four periods. The first, from the 1870's to the end of World War I, was the period when the main lines of university education were laid down. The second, to the end of World War II, saw the university system expand, although its influence and freedom were restricted by the militarists. The third period, from 1945 to 1970, was a time of further expansion, great upheaval, and student unrest. The fourth, in the 1970's, is a comparatively quiet era of regular functioning, yet with underlying strain on the students and on university resources.

In the first period Tokyo (1877), Kyoto and other Imperial Universities were founded as public institutions, along the lines of the University of Berlin, since Prussia was regarded as "the land of development." ("Imperial" has now been dropped from the titles of the universities.) The university's main objective was the training of future civil servants, and to this day the best, and almost the only route to the highest government posts is via Tokyo University (Todai), especially its law school. The foundation of Keio, Waseda and other private universities soon followed. Keio and Waseda were the earliest and are still among the most highly regarded. They provided further doors to gov-

²See "Bibliographical Note," *Japan Quarterly*, no. 14 (October/December, 1967), p. 432. The most comprehensive single volume on Japanese higher education is Ulrich Teichler, *Geschichte und Struktur des Japanischen Hochschulwesens* (Stuttgart, 1975). Authors writing in English or translated include Herbert Passin, Okochi Kazuo, Michiya Shimbori, Fukashiro Junro, Orihara Hiroshi, Ono Tsutomu and Usami Sho. Articles by some of these authors can be found in the *Japan Quarterly*.

³Herbert Passin, *Society and Education in Japan* (New York: Columbia University Teachers College Press, 1965), p. 88.

⁴Selected from Ulrich Teichler, *op. cit.*, p. 42. The number of students in 1978 is about 2 million.

⁵Japanese Ministry of Education White Paper, *Education*, 1975, p. 41.

⁶*Ibid.*, p. 40.

ernment and diplomatic positions and began to furnish leaders in commerce, industry and journalism.

The tone of education in the germinal period of the 1880's stressed morality and nationalism in the schools, at the same time allowing full academic freedom and a spirit of critical rationalism.³ Because in the latter half of the nineteenth century Japan made a deliberate national decision to modernize, especially in defense and in industry, technical schools and teacher training schools played a large role. Indeed, these schools began their history in 1873, four years before the founding of the first modern university.

A significant expansion and diversification of higher education took place after World War I, as Table 1 indicates.

During the Occupation after World War II, American egalitarianism decreed (through United States General Douglas MacArthur's office) that all institutions of higher learning, including teacher training and other colleges, should be formally recognized as equal, which automatically multiplied the number of universities by a factor of 4 in 1949. In 1950, junior colleges were founded and the higher ranking of universities as distinguished from colleges was reintroduced. The greatest increase in student numbers took place in privately founded universities, and their enrollment now accounts for 75 percent of the students in Japan.

From the bewildering number of post-World War II statistics in periods three and four, the following comments are the most significant and useful in the brief compass of this article. First, more and more college graduates are taking jobs in business and industry—40 percent in 1950, 65 percent in 1970. Second, junior colleges have made all the difference to girls—1975 enrollment in them was: 49,000 males, 305,000 females. The most popular courses in the junior colleges are home economics courses. In an interview, a Japanese professor who taught in Japan from 1974 to 1977 reported that some junior colleges were excellent, some were "finishing schools" stressing the polite arts, and some (let it be whispered) were only "baby-sitting."

But females, numerous in the junior colleges, are still heavily outnumbered in the total student population at the college and university level—673,000 females to 1,415,000 males.⁵ If junior colleges were omitted, females represent only 28.4 percent of the current university population. Third, the proportion of Japanese who go from high school to the universities, junior colleges and technical schools is very high, namely 38 percent of the relevant age group, compared with 43 percent in the United States.⁶

Marked similarities are now seen in universities around the world in structure, general trends and common problems. In at least one respect, however, Japanese universities differ from those in the United

TABLE 2: Majors in Descending Order

Social Sciences	then: Agriculture
Technology	Arts and Music
Humanities	Natural Sciences
Education	Others, i.e., miscellaneous
Home Economics	Merchant Marine
Medicine	

States, namely, in the power vested in Japanese professors, who have been called "the most important decision-making level in the university." Thus the faculty elects the president of the university. Even more important, government funds are not granted to the university administration but directly to the various professional chairs, where a proportion of the funds is set aside for administrative purposes. As for the promotion of junior faculty members, the magisterial, almost feudal, power of the senior professors can cause grave problems (this has also been true in France). In relation to students, the authority of the senior professor can be double-edged. There is often a friendly father-son relationship between a professor and his long-term or favorite students, based on ancient East Asian concepts of filial piety, which are always extended to teachers. On the other hand, if the student and teacher do not work well together, the student finds it difficult to obtain fair treatment.

THE CURRICULUM

Stephen Leacock once took a cut at statistics when he imagined the average woman in England, who lived 10 miles south of the average man, going out walking with him, with the average dog trotting along. Can we discover what the average Japanese student studies? If she is a woman, she is studying the humanities (or liberal arts), education or the fine arts, in that order. If he is a man, the chances are overwhelming that he will be majoring in the social sciences or technology and science. The percentage of men studying the social sciences in 1970 was 48.4 as against 7.4 in liberal arts. After World War II, the sciences showed the sharpest increase overall, and teacher training showed the sharpest decrease. Perhaps the most interesting table shows the order of preference of major subjects for all students in 1975 (Table 2).⁷

Until recently, graduate education has been comparatively neglected in Japan. In 1950, no government universities and only four private ones appear to have offered graduate programs. In 1970, the numbers had risen to 59 government and 102 private universities.⁸

⁷Japanese Ministry of Education figures, including junior colleges, excluding technical colleges.

⁸Teichler, *op. cit.*

⁹Japanese Ministry of Education White Paper, *Education*, 1975, p. 42.

¹⁰Michio Nagai, under the title *An Owl Before Dusk*, p. 18ff.

In 1975, 34,000 students were preparing for a master's degree and 15,000 for a doctorate. Compared with 1960, this represented double the number of masters and 1.3 times the number of doctoral candidates, the majority of them in government universities.⁹

At the undergraduate level, a general education is still prized more highly than a specialized one. This is in line with Japan's past, for the samurai warriors, who in the time of the Tokugawa-imposed peace became administrators, prided themselves on a general, classical, moral and gentlemanly education rather than narrow, specialized training. Fukuzawa Yukichi, one of the great popularizers of Western methods in the nineteenth century, relates with amusement how his strict samurai father took him out of school in indignation when he discovered that the teacher was giving arithmetic lessons, for "numbers were the tool of merchants." These notions of a gentleman's education can be traced ultimately to the influence of Confucius, who indicated the supreme value of a moral and classical education and said that he himself refused to become "a utensil," or tool, a term he apparently equated with narrow specialization.

Yet the pervasive effect of career orientation and the scramble for jobs must be recognized as a major factor in the motivation of Japanese youth entering university today. Neither the major subject studied nor even the quality of work at the university seems to matter as much in the job market as the degree itself and the prestige of the university that granted it. Salary and promotion throughout life are determined by the original academic record and by seniority in the firm. So the tendency is to obtain a degree from a university with a good reputation and then to stay with the firm. This attitude is fatal to the pursuit of knowledge for its own sake or to the ripening of a civilized personality. But few in the United States can afford to throw stones. Recent information from a Japanese student indicates that the last two years have seen a drop in the numbers applying to university, since the perception is that a degree no longer guarantees a good job.

What does a university education cost in Japan? The average in 1970 for tuition fees and living costs was about \$1,440 per annum; but this corresponds to 5 months' income of a man fully employed in industry. A student in a private university would have needed more than \$2,000. Not only are fees lower in government universities but scholarships there are more easily obtained.

The situation in private universities is quite serious. A Carnegie Commission Report of 1974¹⁰ states that in Japan the ratio of teacher to students is 1 : 31 in the private and 1 : 8 in the government universities. The physical space per student in the private institutions is one-third that provided in those run by the government. Tuition fees (not including living expenses)

were recently as much as seven times higher in private than in public universities. But there are also hidden cost for students in private institutions. Government subsidies to private medical and dental schools are so small that the schools are forced to ask for donations. The link between donation and a place in the entering class is soon clear, and families have been known to donate amounts of \$70,000 to \$100,000. Medical education seems to have strayed from the principle of serving the public in favor of perpetuating family income, since almost three-fourths of the students in medical schools are the children of private practitioners.

Parents and relatives bear the major costs of university tuition for members of their families, but students also work their way through college; 79 percent of them have part-time jobs. The word for this, and for moonlighting generally, is *arubaito*, from the German "Arbeit" (work). There is a daily paper, *Arubaito Nyusu*, which contains long lists of possible jobs for students at an average of \$1 an hour. A breakdown of student income sources for education at Nagoya University showed scholarships comprised 10 percent, help of relatives, 60 percent and *arubaito*, 30 percent.

It is not surprising, therefore, that there has been a good deal of unrest among Japanese students. Not only did they protest raises in tuition in 1947 and 1966, but they resent poor living and studying conditions. Along with students all over the world, they believe that university authorities lay too much stress on success in examinations and not enough on creativity and other human qualities.

But the focus of all the complaints in Japan has long been the "test hell" (*shiken jigoku*) that students undergo to gain entrance to the university. Competition is severe and begins early. Even entrance to kindergarten may require an examination. In high school, the orientation toward examinations affects the work of the whole school and determines the students' attitudes to learning. University students themselves rioted and rebelled in the 1960's at the limitations on curriculum, learning opportunities and personal freedom imposed on them in high school because of the Procrustean bed of the university entrance examinations.

These examinations are set separately by each university, and their composition and correction are primary tasks for the professors. The most elaborate precautions are taken to prevent the leakage of information, and the professors are literally locked in rooms to read and evaluate the papers. In order to serve the ends of speed and objectivity, many questions are multiple-choice. The best universities usually set examinations in Japanese, one foreign language, mathematics, science and social science. The entrance examinations take place in the last three months of the school year. The fate of the student is thus determined

in this short period, for the highest emphasis by far is laid on the test results, and not on the teacher's report of the student's overall high school performance. One-third of students entering a university have had one year or more between leaving high school and beginning the university, because they have either failed the examination or have been studying at a cram school. From the point of view of the university, a large number of applicants indicates high prestige. But it is evident that the system of competition is highly prejudicial to the physical and mental health of the student and his or her general personality development. There are many student suicides each year as a result of strain and a feeling of unreality or a lack of meaning in life. A figure as high as 100 has been mentioned, but there is no official confirmation of this.

Ironically, once students gain entrance to a university the pressure drops and they say, in the insouciant manner of all students from the Middle Ages onward, that they are "taking a four-year vacation" in college. Needless to say, this attitude, while initially necessary for the recovery of sanity and balance, is hardly conducive to that intellectual development which the university is designed to provide. It is rare that a student drops out of a university or stays longer than the prescribed four years.

STUDENT UNREST

Student unrest has often become exacerbated to the point of open rebellion. Here a caution is necessary. Books and articles have stressed the extreme nature of Japanese student revolt. However, the unrest must be looked at objectively. There have been high points of activism, but (with some exceptions to be noted) a majority of universities were never involved, nor was the activism continuous. At present, the mood in Japan, as in the United States, seems to be very pragmatic, namely, work hard, get a job, and ignore idealism. (The student attempts to close down the new Narita airport were a notable exception.)

In Japan, student political activism at its height exceeded that of French, American or West German students in intensity and continuity. The moving force came in large part from the Zengakuren (All-Japan Federation of Student Governments) founded in 1948 and dominated by Communist students.

The period from 1958 to 1960 represented the height of student activism. There was only one main issue, the "anti-Ampo" struggle, or opposition to the renewal of the United States-Japan Security Treaty. The movement was led originally by the Zengakuren, representing the students, the Sohyo (General Council of Trade Unions) representing the workers and the Japanese Socialist party. But at its zenith, in one form or another, the anti-Ampo movement had drawn into its ranks half the students of Japan and vast numbers of groups and individuals, even some conservatives,

concerned for peace, but not normally politically involved. Demonstrations and long columns of snake-dances in the streets of Tokyo climaxed in 1960 in the raiding of the Prime Minister's official residence, the surrounding of the automobile of James Hagerty, United States Presidential Assistant (who had to be rescued by helicopter), the cancellation of the visit of United States President Dwight D. Eisenhower to Japan, and the fall of Prime Minister Nobusuke Kishi's government. The students involved in rioting were divided ideologically into numerous sects, although they combined forces at the height of the riots. It is said that a journalist reporting a demonstration had to be able to distinguish 18 shapes and colors of helmets, denoting separate brands of radicals.

The extension of concern from campus to nation and the now familiar phenomenon known as consciousness-raising can be seen in the verbatim report of a protest meeting of seniors in 1966.¹¹ A girl not committed to any particular ideology is speaking—and she risks losing her diploma—

Even in our major subject, classrooms were so packed [cf. the Sorbonne in Paris—author] that we can't find a seat. But if we shuffle our feet a little as we stand up listening to the lecture, the professor is put out at us for disturbing everybody. . . . I actually halfway resigned myself to the fact that all colleges are as miserable as Waseda. I never thought we could do anything about the situation until after I took part in a strike against a tuition raise. When I began to fight to improve the school, I realized we should do whatever we can to improve the place. To tell you the truth, I had never thought seriously about society, politics or anything until after I participated in the protest movement.

The radical students who provided the leadership core of movements of protest like the one this girl was describing embraced ideological extremes. Each step in the establishment of a new order of justice required a prior step of revolutionary violence in order to clear the ground. Thus, in order to create a new university it was necessary to destroy the old university. But since this could not be brought to pass in the current social framework, it was necessary first to overthrow the imperialism both of Japan and the United States. This could only be achieved by launching a world revolution. There is thus a doctrinaire problem expanding infinitely.¹²

Against this background of physical violence, intense inner struggle and apocalyptic vision, it is interesting to note that the Japanese government, in its official statements, is prepared to make only limited ad-

missions.¹³ Student unrest, the government states, was caused by various social and political factors. There were many problems within the universities, also, in teaching, research, administration and management. Specific demands of students are listed. "Tactics by violent students were aimed at the revocation of the United States-Japan Security Treaty and opposition to the Vietnam War." There was confusion for a long period, the statement goes on, "due to inappropriate measures taken by university authorities, and to the fact that there were many sympathizers among non-political students and young faculty members." In August, 1969, the Law for Provisional Measures Concerning University Governance was enacted. "Violence irrespective of ideology was disallowed (sic). Police were used where necessary. Student unrest was brought under control."

The government clearly had to make some changes. On the whole, the Japanese universities have done a magnificent job under difficult circumstances. They have trained many students and have prepared scholars who, by world standards, are successful in many academic fields. Without her universities, it is scarcely conceivable that Japan could have reached her present position of economic leadership. But to complete the picture the insights and reflections of some of the more thoughtful faculty members, Japanese themselves, may be of significance.

The "May crisis" noted by Orihara Hiroshi is the letdown experienced by students after they take the examinations in April. A feeling of relief and exhilaration is often succeeded by a desolating sense of lack of purpose. University professors provide little guidance. The self-control of heroic proportions needed over a long period to cram for the examinations leads to an unnatural cramping of the enthusiasm and energy of adolescent youth, according to Hiroshi. This enforced discipline takes its inevitable psychological toll. Mass education, too often directed to producing "organization men," has a severe dehumanizing effect, and regulations, says Hiroshi, "effectively block concern [on the part of the teachers] for nurturing the joys of discovery."

Examination cramming also has a divisive effect. Students in this period feel alienated from their friends, with whom they are in competition, and from their families, for whom they have no time.

A Japanese woman professor made a psychological
(Continued on page 184)

¹¹Ono Tsutomu, "Student Protest in Japan, What It Means to Society," *Journal of Social and Political Ideas in Japan*, no. 2/3 (December, 1967), pp. 251-279.

¹²Fukashiro Junro in *Japan Quarterly*, no. 16, April, 1969, and no. 17, January, 1970.

¹³Japanese Ministry of Education, *Educational Standards in Japan*, 1970, p. 38ff.

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BOOK REVIEWS

ON JAPAN

THE SOVIET UNION AND POSTWAR JAPAN.

By Rodger Swearingen. (Stanford, California: The Hoover Institution Press, 1978. 400 pages, appendices, maps, notes and index, \$14.95.)

Rodger Swearingen has written a searching evaluation of "the changing elements of Soviet-Japanese relations, ideological, political, cultural, diplomatic, economic and strategic, from 1945 to 1977." He offers the reader the benefit of his access to and use of Japanese, Soviet and United States archives and documents recently declassified or not previously published. Translations of the 38 key bilateral treaties between Japan and the Soviet Union in the period 1956 to 1977, appear in the appendices to this volume. The chapters setting the history of Japanese-Soviet relations in historic perspective through the period of World War II are a valuable preface to the period analyzed in the book.

Swearingen details the history of the Japanese Communist party and its relationships with both Soviet and Chinese ruling Communist parties, including its current neither "pro-Moscow nor pro-Peking stance," and predicts that the Japanese

Communists will "continue to play an active if modest role in Japanese politics."

Despite its detailed information and thorough coverage, this is a most readable book, valuable for the student and enjoyable for an informed reader.

O.E.S.

POLITICS IN POSTWAR JAPANESE SOCIETY.

By Joji Watanuki. (Tokyo: University of Tokyo Press, 1977. 171 pages, references and index, Y2,500.)

Joji Watanuki describes the rapid social changes that have taken place in postwar Japan, in a series of essays that show the "concomitant strains and potentialities, and continuity in Japanese politics and society."

O.E.S.

POLITICAL CHANGE IN JAPAN.

By Taketsugu Tsurutani. (New York: David McKay Company, Inc., 1977. 275 pages, bibliography and index, \$12.50, cloth; \$6.95, paper.)

Taketsugu Tsurutani focuses "on the transition of a society from industrialism to post-industrialism" and the changes that are taking place

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JAPANESE-AMERICAN RELATIONS

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to other types of farming, including dairy farming. Those farmers who have shifted their main production from rice to other commodities particularly resent outside pressure for the further liberalization of agricultural imports, and they have been working closely with their allies in the Diet. Beef cattle farmers have some powerful allies among LDP Dietmen, including Sadanori Yamanaka, former director of the Prime Minister's Office and now president of the National Beef Cattle Association.²⁵ During the United States-Japanese trade negotiations in the fall of 1977, about 40 LDP Diet members organized a livestock caucus and strongly opposed any change in Japan's agricultural import policy. The caucus membership soon increased to 200. (A fruit caucus was separately organized with an eventual membership of 150.)²⁶

Under pressure from these Diet members, the government decided to liberalize import quotas on beef (and on oranges) rather than to remove them entirely. In the face of determined opposition at home, it is difficult for political leaders to make substantial concessions to a foreign country or to the abstract principle of free trade. After all, these leaders rise and fall according to their ability to bring tangible benefits to articulate domestic groups. In the words of Richard E. Neustadt: "... men are booed and booted out at home or cheered and reelected or promoted there. Whatever the effects on them of happenings abroad,

²⁵For further detail, see Aurelia D. George, "Political Factors Influencing the Beef Trade with Japan," paper presented to the Second New Zealand Political Studies Association Conference, Auckland, August 26-28, 1977, pp. 9-12.

²⁶*Nihon Keizai Shimbun*, December 9, 28 and 29, 1977; *Trade Roundup*, no. 1, January 5, 1978, p. 2.

²⁷Richard E. Neustadt, *Alliance Politics* (New York: Columbia University Press, 1970), p. 118.

²⁸Quoted in Berger, "Hidden Dimensions in United States-Japan Trade," p. 334.

²⁹One can surmise that the \$26.7-billion United States trade deficit in 1977 was related in no small part to the more than \$40-billion worth of oil imported from the Organization of Petroleum Exporting Countries (OPEC).

³⁰For instance, the ratio of duties to total imports in 1976 was 3.3 percent for Japan and 3.8 percent for the United States; it was 4.1 percent for West Germany and 3.0 percent for France in 1975. United States-Japan Trade Council, *Council Report*, no. 19 (May 2, 1978), p. 1.

³¹See James Abegglen, "Why Many Fail in Japan," *Far Eastern Economic Review* (November 11, 1977); Anthony M. Solomon, "Why American Exports Have Lagged," *The New York Times*, April 30, 1978.

³²Special Trade Representative Robert Strauss apparently represented the White House effectively and at the same time enjoyed credibility in Congress. But he was not an expert on the politics of economic policy in Japan and sometimes resorted to pressure tactics that many Japanese

these cannot be made manifest in their careers except at home."²⁷ The plight of these leaders will be more serious if there are no effective domestic groups to counter protectionist pressure at home. Unfortunately, consumers who benefit from free trade tend not to organize themselves so effectively as special interest groups. "Unemployed steelworkers are highly visible," says Milton Friedman, "but what about the 'invisible' consumer? Where the hell are the consumer advocates now that we need them?"²⁸

BEYOND MUTUAL SCAPEGOATING

How, then, can the world's two largest market economies minimize bilateral economic friction? The policymakers and citizens of both countries must make attitudinal adjustments in line with the new world reality. Japan is no longer a weak, vulnerable country needing special care and protection. She should now behave responsibly as a major economic power whose policies have an immediate global impact. In the long run, Japan will have to modify her industrial structure to reduce her heavy dependence on exports.

The United States, for its part, can no longer expect other countries to play the American game; it must make as much effort at self-adjustment as Japan (and other industrial countries) to prevent the spread of protectionism. Instead of creating foreign scapegoats for its problems of unemployment and its balance of payments difficulties, the United States should seriously reduce its dependence on imported oil,²⁹ restore or increase the competitiveness of some of its industries, and face the problem of inflation at home. United States manufacturers should also make greater efforts to sell their products to Japan. In spite of the prevalent view of Japan as a closely protected market, Japan is now about as open to trade as West Europe and the United States.³⁰ Unfortunately, American companies try to enter Japan "on the cheap," unwilling to invest the money and time for market research about other countries that their Japanese counterparts invest.³¹

To the extent that subtle non-tariff barriers still exist in Japan, the United States-Japan Trade Facilitation Committee (created in September, 1977, by United States Commerce Secretary Juanita Kreps and MITI Minister Tatsuo Tanaka) is in a position to assist American firms in their marketing efforts across the Pacific.

In view of the politics of economic issues (and their increasing interdependence) far more than economic expertise will be required of the economic policymaker. Above all, he should be an effective politician, who can act as a credible liaison between his government and domestic interests as well as between the two or more governments involved.³²

Whether or not the economic policymaker can

effectively balance domestic and international interests will also depend on the depth and width of inter-societal (as well as intergovernment) contact. In recent years, there has been a gradual increase in the contact between Japanese and American businessmen, labor leaders, scholars, and parliamentarians on bilateral economic and other issues. Such contact, if it went beyond meetings of like-minded people, is particularly useful in expanding the mutual awareness of one another's problems and thus reducing mutual scapegoat-building. In the past, much private bilateral contact was confined to pro-American, internationally minded Japanese and pro-Japanese, internationally minded Americans.

It is obvious that American-Japanese relations have been strained by economic issues. But the situation could have been worse. In 1977, Japanese-American economic relations were far more strained than they were in 1969 in terms of the severity of the bilateral trade imbalance and the specific trade issues involved. Yet the color television issue was negotiated in two months; the steel issue was "resolved" within a year (without resort to import quotas); and the comprehensive trade agreement was concluded in less than six months. In contrast, the wool and synthetic textile issue lasted nearly two and a half years from the initiation of formal discussions in May, 1969, to the initialing of the bilateral agreement in October, 1971; in the meantime, this issue shook the very foundation of American-Japanese relations. Japanese television and steelmakers in 1977 were more willing to compromise than the Japanese textile manufacturers in 1969 and the United States negotiating tactics were slightly less crude. There was apparently some learning from experience on both sides. But learning from past experience may not be sufficient; in the era of international interdependence, issues will have to be dealt with in a more anticipatory and multilateral fashion. ■

officials thought too crude. His Japanese counterpart, Minister of External Economic Affairs Nobuhiko Ushiba, was a seasoned international negotiator as a former international Trade Bureau Director in MITI and former Ambassador to Washington. But as a Minister of State without portfolio and without a seat in the Diet, he did not carry much political weight and seems to have encountered difficulty in coordinating inter-ministerial policy differences.

JAPAN'S BELEAGUERED RULING PARTY

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Japan's nuclear safety regulations the "flimsiest in the world").⁹ The Japanese nuclear power industry points to the problem of training technicians to monitor imported reactors, analogous to the difficulty of having an imported car serviced or repaired.¹⁰

Japan regards the daily nuisance of negotiating to obtain permission for every technological adjustment as an infuriating violation of the Nuclear Non-Proliferation Treaty, which stipulates that it is not meant to restrict the peaceful development of nuclear energy. Many Japanese in the government view other nations' criticism and advice as insults to the government's competence and sovereignty, and as undeserved attacks on a vital program.

OPPOSITION TO NUCLEAR POWER

While the government bucks international opposition to its goals of a breeder economy and a complete nuclear fuel cycle, it also faces intense opposition to nuclear power from the public. Naturally, the utilities, the major business groups, the bureaucracy, and the LDP itself strongly favor nuclear power. For those who believe that nuclear power will be cost-effective, consumer pressure to keep utility rates from rising also constitutes a pro-nuclear lobby. However, polls show that, regardless of diffuse support for nuclear power, the Japanese people are strongly opposed to plants in their own areas. Since Japan is a crowded country, even plants in relatively "underpopulated" areas elicit hostile opposition from nearby residents. A 1.1-million kilowatt plant to be built in a "depopulated" area in Niigata Prefecture will be only 6.5 kilometers from Kashiwazaki, a city of 80,000 people. The government approved the site even though it lies on five earthquake faults, one of which is large enough to cause an earthquake of 6.9 on the Richter scale.

The government's poor record of accidents, reactor shut-downs and uneconomical rates of operation (from 30 percent to 50 percent depending on the year, the lowest rate among nuclear nations) only exacerbates local opposition. In late 1976, it was revealed that Kansai Electric Power had concealed a problem with broken fuel rods at its Mihama reactor for four years. Because the statute of limitations for the cover-up offense was only 3 years, the government was unable to penalize the company and could only issue a meaningless "stern warning." As a result of such obstacles, both political and practical, the government has had to scale down its target level for nuclear power output by 1985: from 60 million kilowatts to 49 million kilowatts to 25 million kilowatts. Although the government hopes to accelerate the construction program to yield between 26 million and 33 million kilowatts by 1985, the 31 reactors actually expected to be operating by March, 1985, if all goes well, will have a total capacity of only 23.63 million kilowatts.

⁹Henri Hymans, "The Japanese March to Nuclear Power," *Far Eastern Economic Review*, vol. 90, no. 41 (October 10, 1975), p. 38.

¹⁰Asahi Shimbun, *Shukusatsaban*, January 17, 1978, pp. 491ff. Hereafter, ASAHI.

Japan has 15 light-water reactors in commercial operation (and another 20 in various stages of planning, construction, or test runs), against which at least six lawsuits have been filed. In April, 1978, the Matsuyama District Court awarded Japan's first verdict on nuclear energy (Ikata plant #1) to the nuclear power industry, granting only one of the plaintiffs' points—that local residents in the vicinity of a nuclear power plant indeed had standing to sue. The plaintiffs argued that nuclear power and respect for human life were mutually exclusive and that nuclear power per se violated Article 25 of the constitution, which protects people's livelihood. The court refused to evaluate the safety of nuclear power and replied that no constitutional rights are threatened by nuclear power. Ikata residents have appealed this ruling and have filed an identical lawsuit against Ikata plant #2, although it is unlikely that their constitutional arguments will have any greater success in the appeal or the second lawsuit.

The Ikata verdict may indicate that the judiciary will distinguish between nuclear power and other threats of environmental pollution (all pollution verdicts so far have favored the plaintiffs), but it is not likely to operate as a precedent in other lawsuits, which charge that specific laws have been violated.¹¹ The law, facts and arguments in these cases are simpler to adjudicate, and verdicts may favor the local residents. The judiciary may be willing to stall one plant at a time even if it is not willing to label the entire nuclear power program unconstitutional.

The legal procedures for building power plants do not provide many opportunities for hostile residents to prevent the construction of power plants. Public hearings are required only by an internal regulation of the Science and Technology Agency and not by law; the regulations are met if the hearing takes place, regardless of who attends or what is said. The government and the utilities have no obligation to consider residents' objections nor to satisfy them. But power plant construction does require permission from local gov-

ernments, and citizens are fighting pitched battles with their local assemblies and mayors to persuade these officials to deny permission to the utilities. Even though 70-80 percent of the local residents near a site may oppose the construction of a nuclear plant (according to polls and referenda that have been conducted in these prospective sites)¹², they often have to resort to extreme means—sit-ins, boycotts, demonstrations that bring out the riot police, all-night assembly sessions, to persuade their elected officials to notice them, and then they do not always succeed.

One such episode took place in the town of Hohoku (Yamaguchi Prefecture). After an all-night session with 1,400 local fishermen, the mayor (himself in favor of a local nuclear power plant) agreed to deny an electric power company permission to survey a potential site there. Exhausted by the ordeal, he resigned and, in May, 91 percent of the eligible voters turned out to elect in his stead an anti-nuclear mayor with 9,120 votes, while his pro-nuclear rival received only 3,540 votes. Reflecting on the pro-nuclear verdict in the Ikata case, one journalist suggested that the high turnout and the 3-to-1 margin in Hohoku against nuclear power constituted a "people's verdict" against nuclear power.

The LDP defines nuclear energy, and particularly an independent fuel cycle based on fast breeders, as vital to Japan's survival as an economic power. Because the LDP also believes that its own legitimacy with the voters rests on economic prosperity, its nuclear power program becomes vital to the party's survival. Regardless of the truth of the assumptions underlying this view, the LDP sees itself trapped by local opposition, industrial lobbies demanding energy independence and foreign countries worried about proliferation. As is the case in other issues where the LDP experiences cross pressures, this situation may well have a paralyzing effect, particularly since the LDP is also troubled by serious internal factionalism and the prospect of losing its majority. Any coalition that might replace the LDP government will have similar worries, compounded by its inexperience.

There are good reasons why Japan should assume a political role appropriate to her economic stature—her enormous stake in international peace and free trade, her need for a cooperative approach to rapid change in the military balance in Asia, and her craving for international prestige and the understanding of her allies. But no Japanese government is likely to rise to the occasion in the near future. Although there are signs that the government is learning how to drive a harder bargain with nations that conveniently "misunderstand" Japan, Japanese governments will continue to make decisions slowly and cautiously, because they must first mend crucial political fences at home and deal with a plethora of domestic interests. ■

¹¹The suits against Tokai plant #2 and Fukushima plant #2 argue that the procedures used in site selection did not meet the requirements of the Basic Law on Atomic Energy. Plaintiffs argue that the Tokai plant will create an excessive concentration of nuclear power plants near an area of large population, and that the builders of the Fukushima plant gave inadequate attention to the problems of thermal pollution and waste disposal. The plaintiffs in Suruga city filed suit because their mayor ignored a petition of 100,000 signatures and refused to allow a local referendum on nuclear power. Finally, the plaintiffs in Kashiwazaki argue that their city assembly violated the laws concerning traditional village commonlands when it voted to sell common forest for use as part of a nuclear plant site.

¹²A 1972 referendum showed that 70 percent and 76 percent respectively of the residents of two villages near the Kashiwazaki plant were opposed to the plant. *ASAHI*, September 7, 1977, pp. 204ff.

JAPAN'S FOOD SECURITY

(Continued from page 169)

quantitative restrictions. These include beef, oranges and fruit juices and items like *konyaku*, miscellaneous beans and starch products, which are minor items in international markets but vital to regional domestic production. A variety of non-tariff barriers still exist. The United States Department of Agriculture, in cooperation with the private sector, is trying to expand bulk commodities and processed and consumer-ready foods.

A strong political alliance will make it difficult for the Japanese government to make further concessions. But there are a number of veto points within the LDP and the government that permit advocates of more liberalization to exert their influence. For the most part, Japan's foreign economic policy has been dominated by the priorities set by a coalition of growth-oriented officials within the bureaucracy, large federations and trade associations of big business, major financial institutions and by successive LDP Cabinets eager to facilitate rapid industrialization.¹³ Considerations of foreign trade, consumer welfare, balanced budgets and private profit will continue to find their way into agricultural policies.

Agricultural trade policy will thus be constructed by piecemeal compromise, minor adjustments and small concessions. It is reported, for example, that the United States is asking Japan to curb her bottom fish catch in American waters if Japan's restrictions on imports of Alaska pollack and other fish are not lowered. Considerable discussion between Japan and her trading partners takes place on a private and public basis: economic conferences, trade missions, shopping tours, newsletters, food exhibitions, and so on. Japan's trade policies will be put together in bits and pieces.

As a major importer of wheat, livestock feed and soybeans, Japan is also seeking private and official arrangements to maintain essential supplies at relatively stable prices; she wants long-term supply contracts, government-to-government agreements and overseas joint ventures. Japan's political and economic elite will continue to fear erratic prices, export embargoes, contract cancellations, new price negotiations under existing contracts or government imposed prices to circumvent earlier agreed-on prices. Understandings of various kinds have been worked out with the United States, Australia, Canada, Cuba and Thailand.

Mitsui, Ltd., one of Japan's largest trading firms, has purchased grain elevators and commercial rights

from Cook Industries. Altogether, Mitsui has 12 grain elevators in the United States. The company also is involved in joint ventures with the Pacific Grain Company and the United Grain Corporation. Such arrangements help secure food for Japan and permit commercial interests to sell wheat, soybeans and corn to the third world. Attempts are also being made to diversify overseas food sources.

Protection at home will not necessarily mean the success of the government's new production targets. Some economic doubts have already been mentioned. There is also considerable political and administrative inertia that prevents sharp departures from traditional practices. For example, rice has always been the pilot sector of Japan's rural economy, and the state of the rice economy has shaped the development of all other agricultural policies during this century. For almost two decades, Japanese food bureaucrats have declared their intention to move Japan away from a "rice-centered" agrarian economy. For almost a decade, the government has been trying to discourage some rice production. Yet rice farmers continue to produce a glut. Production controls and diversion programs have not worked well.

Japanese rice prices are at least three times international prices. Rice-related programs take at least 30 percent of the annual budget for agriculture, which declined in the period 1974-1976. Rice schemes in Japan are a dubious way to support farmers; they are also a misguided income-support mechanism for white-collar office workers and other "weekend farmers," who produce rice on marginal land for substantial remuneration. As long as a large proportion of female and older workers dominate the agricultural work force, a substantial number of "farmers" will prefer price supports to guarantee their economic welfare. Rice remains the most certain source of income in Japanese farming. Whether or not the basic thrust of previous agricultural policy will change, then, is doubtful indeed.

Despite these ambiguous political considerations, Japan has coped remarkably well with uncertainty. Nutritional standards are as high as any country in the world, although the Japanese diet is considerably more vegetarian than that of other industrial societies. Most projections suggest that there will be a slowdown in the transformation of food consumption patterns, along with a slight decline in overall economic growth. Population growth is also expected to slow down in the 1980's. Given the limited space used to feed well over 100 million people, it is no wonder that the Japanese are concerned about food supplies. But it is hard to believe that Japan will face a crisis, especially in light of the country's economic wealth and the frenetic activities of trading companies like Mitsui, which continue to scour the world in search of new possibilities for expansion. ■

¹³T.J. Pempel, "Japanese Foreign Economic Policy: the Domestic Bases for International Behavior," *International Organization*, vol. 31 (autumn, 1977), pp. 723-774.

STAGFLATION IN JAPAN

(Continued from page 173)

reject the employers' low counter-offer because of its dampening effects on aggregate demand. Likewise, workers may moderate their demand for higher money wages if they are sure that the government will succeed in holding down price increases. No extraordinary mathematical genius is needed to see the interdependent equations of wage determination involving labor, business, and government. Once agreed on the equations, the solution will be largely technical. The process of negotiation is essentially one of defining and agreeing on these equations.

If carefully examined, all the learned calculations, implicit threats, sour feelings, rejections and protests that are hauled back and forth between any two parties in an attempt to win favorable terms suggest that the Spring Offensive is, in effect, a model of tripartite bargaining, involving labor, business and government. Important economic variables, like prices, wages and aggregate demand, are determined by bargaining among interested parties. Theoreticians of a "new corporate state" claim that, when negotiations among interest groups at the national level including the government as a facilitating and legitimizing participant encompass the whole field of resource allocation, the state becomes a "corporate state." The institutionalization of interest aggregation and intermediation and the formalization of the bargaining process so that binding contracts can be made are considered essential characteristics of a corporate state.

Japan fails by the criteria of centralized institutionalization and the formalization of the bargaining process. But consider the fine-tuned, informal tripartite bargaining in Japan, demonstrated by the 1977 Spring Offensive. In 1977, the demand and offer were tossed up in the usual style between unions and employers. In due course, one bright idea struck everyone: a tax reduction could be considered, or translated into, the equivalent of a wage increase. There were conceptual ramifications that had to be tidied up, but the point was clear that workers could get higher "wages" not only from employers but also from the government. How the government might make up the lost revenue due to the tax reduction for workers would require additional negotiations with other relevant groups of taxpayers.

By participating in the fiscal policy of the govern-

⁸The role of the state in Japan's industrial relations system is neither laissez-faire (market-dominated) nor pluralistic (group-based laissez-faire). The "ruling class" model is also out of the question. Solomon B. Levine and I have examined this problem in a series of conference papers we have jointly authored.

ment, organized labor demonstrated that it was the conduit for the aggregation and intermediation of the interests of all wage earners, organized and unorganized. And yet, no formal rules or machinery for centralized negotiations, no binding formal contracts, have yet come into existence. One therefore must settle for this murky expression: Japan may be an informal corporate state.⁸ It may also have been because of this informal corporate state that after the price fiasco of 1973-1974, Japan somewhat surprisingly succeeded in bringing down the rate of inflation and redeploying resources to maintain GNP growth in the face of an absolute decline in the production of goods. Koshiro is right in suspecting the existence of an unwritten "social contract."

CONCLUSION

Was the 1973-1978 stagflation a watershed in post-war Japanese history? This author claims it was. Before and afterward, macroeconomic and macro-social conditions seem considerably different. The five to six percent GNP growth that is all one now can reasonably hope for is a far cry from the dizzy 10 to 12 percent growth of bygone days. In the course of the stagflation, the Japanese learned that they are vulnerable to forces that could reduce the governability of the state. At the same time, they were resourceful enough to improvise informal procedures of interest aggregation and intermediation capable of effecting at least an interim resolution of ongoing conflicts. One begins to see an emerging corporate state in which negotiations among national-level interest groups, with the government's participation, may replace market forces and pluralistic (that is, free and decentralized) collective bargaining.

Japan's corporate state is still informal and imperfect. But one can at least hope that democratic forces, whose strength has been proved by 30 years of experience under the new constitution, will extend the logic of democracy from polity to social and economic arrangements. A new corporate state will then be the embodiment of democracy—economic, political, and social.

UNIVERSITIES AND STUDENTS

(Continued from page 178)

comparison between personal and political motivation, suggesting that the intensity of the students' demand for Japanese independence from the United States was unconsciously prompted by their inner need for independence from their professors and from an unfeeling mass education that ignores the individual. The most trenchant criticism of the present university system comes from Eto Jun, a respected literary figure, who says:

The contemporary Japanese university . . . is a dry,

sterile world where true education is seldom dispensed or desired. The sense of impotence, aridity and meaninglessness which characterizes it simply beggars description.¹⁴

He proposes the use of discussion seminars and with no more than 30 students to a professor, in order "to turn out cultured men, not technicians." He acknowledges that this will cost money, but he says that politicians and those in control "must be compelled to make a university professorship a lucrative position before they have a deep respect for it."

It is in the nature of the modern, technical world to even out the differences among societies. That is why in examining Japan we are reminded so often of the problems of the United States. Thus, Japanese students are a healthy reminder to the world of the dangers of dehumanization. In their rebellion they go to extremes. But a student is like a Japanese warrior who has always fought à outrance and by laying his life on the line has earned respect. When the students rioted, they made a valid and existential criticism of modern society. And now, in their quieter efforts to advance science and to rediscover the roots of the delicate culture of Japan, they are doing us all a service. ■

¹⁴ *Journal of Social and Political Ideas in Japan*, 1967, p. 179ff.

JAPAN AND CHINA: PEACE AT LAST

(Continued from page 153)

December, 1978. If the downturn trend of his popularity were to be halted or reversed and if his chances of reelection in December were to improve, he had to act decisively and without much delay. Fukuda was thus in search of a popular issue to ride to a second term as party president and Prime Minister.

The peace treaty with China was a natural issue for Fukuda. For one thing, it was already a very visible and potent issue. After a 15-month hiatus following the September, 1975, Miyazawa-Chiao encounter in New York, it prominently resurfaced in early 1977 when several Japanese politicians visited Peking one after another.²⁸ The issue thus caught up with Fukuda regardless of his personal views. For another thing, the advocacy of friendly relations with China was always popular with the Japanese voting public and news media. As a government-sponsored poll revealed in the summer of 1977, two-thirds of the Japanese polled favored closer relations with China than with any other Asian nation; nearly two and half times as many Japanese would rather visit China than the second most popular Asian nation, Singapore.²⁹ The dominant view of the media was well expressed the day after the signing of the eight-year trade arrangement in one editorial that called the announcement of

China's new economic development plan an invitation for Japan to reach out for a "new frontier."³⁰

Given the mounting pressure of the business community and public opinion, Fukuda might have moved faster to wind up the treaty negotiations, but he faced opposition in his own party and a hasty move might have threatened his political future. The opposition in the LDP was particularly troublesome. The opponents of the treaty were more numerous than its supporters,³¹ and, the opposition was well organized and extremely vocal,³² including most influential party elders.³³ They were particularly numerous in Fukuda's own faction,³⁴ and effectively dominated the formal decision-making organs of the party.³⁵ The ruling party's highest decision-making organ, the Executive Council, approved the Cabinet plan to resume the negotiations in the wake of the Senkaku Islands fiasco in late May, but only after a good deal of pleading by Fukuda and only on condition that the government would refuse to take sides in the Sino-Soviet dispute and that neither the security nor the territorial integrity of Japan would be compromised by the treaty.

The "China problem" has by no means disappeared. The conclusion of the long-term trade arrangement and the peace treaty merely modifies the context and shifts the focus of Japanese domestic debate on China. It is hoped that problem has not been turned into a "Soviet problem." ■

²⁸ These included House of Councillors President Kenzo Kono, Clean Government party chairman Yoshikatsu Takeiri and New Liberal Club Representative Seiichi Tagawa.

²⁹ See the results of a Prime Minister's Office poll in *Gekkan Yoron Chosa*, January, 1978, pp. 8, 10. According to another poll, 10.5 percent regarded China as a potential threat to Japan, as compared to 10.8 percent and 52.7 percent who so regarded the United States and the Soviet Union respectively. See *Yomiuri Shimbun*, April 17, 1978.

³⁰ *Ibid.*

³¹ One newspaper identified 158 treaty opponents and 118 treaty supporters in the LDP in April, 1978. It should be kept in mind that the conservative party had already lost the majority in the upper house and held a precarious margin of a few seats in the lower house. A revolt by half a dozen members in either house would have threatened the defeat of major Cabinet bills and the fate of the Fukuda Cabinet.

³² The treaty opponents were entrenched in such pro-Taiwan ultra-conservative groups as the Asian Affairs Study Group, the Japan-Republic of China Parliamentary Discussion Group and the Seirankai. Representatives of these groups opened a "Japan-China Treaty (Opponents) Office" at the LDP headquarters in the spring of 1978.

³³ LDP elders like Nobusuke Kishi, Mitsuiro Ishii, Etsusaburo Shiina, Naka Funada and Hirokichi Nadao were all associated with the "Taiwan Lobby" and opposed the treaty with China.

³⁴ For a pertinent comment, see Uehara, *op. cit.*, p. 54.

³⁵ For actions in the LDP policy board committees on foreign relations, see *Yomiuri Shimbun*, March 31, and April 8, 1978; *Nihon Keizai Shimbun*, April 15, 1978.

JAPAN'S TRADE CONTROVERSY WITH WEST EUROPE

(Continued from page 157)

driven up by firms beset by the internal recession.

The second reason is external and, to a large extent, is beyond Japan's control. The Bretton Woods system, which provided the modus operandi of world trade and finance after World War II on the basis of fixed exchange rates and dollar-gold convertibility, collapsed in 1971; ever since, the world has been living under the floating rates system. The "new" system, if it can be called new, has been precarious, hardly able to assure the reasonable stability and effective functioning of the world economy. Floating exchange rates alone do not easily achieve equilibrium in international trade and finance; there are income effects, structural problems and other nonprice variables to be reckoned with. There is a considerable time lag between the time when a major currency is revalued and the time when significant export-reducing (and import-increasing) effects of the revaluation begin to surface. The EEC's charge that the Bank of Japan was indulging in excessive *dirty* float notwithstanding, the yen was revalued 25 percent in 1977 and continued to rise in 1978, while Japan's export surplus persisted.

Today the world is in search of a new, lasting international economic order. In theory, the advanced countries all uphold the principles of multilateral free trade as embodied in GATT, but in practice they readily invoke, or threaten to invoke, industry- and country-specific protectionist measures. What kind and what degree of safeguards are consistent with the idea of multilateral free trade is unresolved. The future of free trade, in the traditional sense of the term, is uncertain. It is certain, however, that Japan will be the hardest hit if full-fledged protectionism spreads. Japan has neither the autonomy and size of the United States market nor the benefits of regional economic integration enjoyed by West Europe. Geopolitically, the possibility that Japan could form a customs union with the other East Asian states is dim. Organizing a Pacific free trade area (involving Japan, Canada, the United States, New Zealand and Australia) has been discussed, but no concrete steps have been taken to achieve such an area.⁷ Japan is now the second largest economy in the free world; thus whatever action she takes will touch the delicate nerve of other nations.

The current trend does not allow easy optimism for the future trade relations between Japan and West Europe. In all probability, all the West European economies will be growing more slowly than they

grew in the past decades; their economies will thus provide an environment conducive to protectionist movements. Rapid economic growth makes free trade mutually beneficial. Slow growth or stagnation tends to transform the system of free trade into a zero-sum game rather than a positive sum game. Furthermore, the maturity of the West European economies will breed a predictable set of consequences—all antithetical to the flourishing of international competition. These consequences will include the decline of the work ethic and discipline, thanks to generous unemployment and other welfare benefits; the growth of vested interests favoring orderly markets; the rise of political and social pressure groups of all kinds demanding justice and equity; and deterioration of the market mechanism because of increasing government regulations and interventions.

For Japan, a difficult road lies ahead. She is critically resource-poor; the further expansion of her economy necessitates the continual increase of her trade with the rest of the world, including West Europe which, given its large GNP and its high per capita income, constitutes an attractive market for Japanese manufactured goods. Strictly from Japan's viewpoint, the freer the world trade the better the prospects for her growth. But the rapid expansion of Japan's exports, sustained by free trade, will cause increasing friction with other countries and hence will contribute to the rise of protectionism. The Common Market's inward-looking posture is likely to continue, and the trend may intensify in the event of a significant advance of Eurocommunism. While the absolute amount of trade between Japan and West Europe will grow, the weight of each in the other's total imports will in all probability remain small. Japan's structurally conditioned reliance on exports of manufactured goods and her heavy import dependence on primary goods point to her continuing tendency to run a trade surplus with West Europe. But even if Japan manages to balance her total exports with total imports vis-à-vis West Europe she will not be free of conflict, because an overall regional trade balance does not guarantee that bilateral trade with individual West European countries will be in balance. The recent trade disputes between Japan and the Common Market indicate that a persistent bilateral trade imbalance is sufficient to trigger a hostile reaction from the importing country.

Trade relations between Japan and West Europe will remain precarious as long as they fail to synthesize the principles of efficiency and equity into a coherent and politically acceptable code of mutual conduct. Japan must find out how to compete vigorously in the West European market without antagonizing her trading partners. In other words, she must learn to run while shaking hands with her rivals on the long-distance track. Winning that race calls for infinite tact and Olympian wisdom. ■

⁷Vide Kiyoshi Kojima, *Japan and a Pacific Free Trade Area* (Berkeley and Los Angeles: University of California Press, 1971).

THE MONTH IN REVIEW

A Current History chronology covering the most important events of September, 1978, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Limitation

Sept. 8—In Moscow, Paul Warnke, head of the U.S. Arms Control and Disarmament Agency, concludes 2 days of negotiation with Soviet Foreign Minister Andrei Gromyko.

Sept. 27—U.S. Secretary of State Cyrus Vance and Soviet Foreign Minister Gromyko resume Strategic Arms Limitation Talks (SALT) in New York.

Sept. 28—East-West force reduction negotiations reopen in Vienna; the talks are now in their 6th year.

Sept. 30—In Washington, D.C., Soviet Foreign Minister Gromyko, U.S. Secretary of State Cyrus Vance and U.S. President Jimmy Carter meet at the White House to discuss a new arms limitation treaty; Vance and Gromyko will meet again October 1.

International Bank for Reconstruction and Development (World Bank)

Sept. 25—The officials of the World Bank and the International Monetary Fund open a 4-day joint session in Washington, D.C.

U.S. President Jimmy Carter addresses the joint annual meeting and says he is "determined to maintain a sound dollar." He pledges new and tough moves to halt inflation at home and to promote U.S. exports.

Middle East

(See also *Egypt; Israel; U.S., Foreign Policy*)

Sept. 2—The Syrian government newspaper *Tishrin* warns that Syria will "stand up against any attempt to encroach on Lebanon's integrity or Arab sovereignty."

Sept. 5—U.S. President Jimmy Carter welcomes Egyptian President Anwar Sadat and Israeli Prime Minister Menahem Begin to Camp David, Maryland, for Middle East peace talks in virtual seclusion and under a news blackout.

Sept. 6—The Camp David conference begins.

Sept. 7—Syrian Foreign Minister Abdul Halim Khaddam says that Arab nations will be forced to "make military pacts with the Soviet Union" if Israel signs a defense agreement with the U.S.

Sept. 9—White House press secretary Jody Powell, the only spokesman for the conference, reports that "progress has been made in some areas; however, substantial differences remain . . ." at the Camp David talks.

Sept. 17—The Camp David conference ends after 13 days of negotiation. U.S. President Jimmy Carter appears on nationwide television with Egyptian President Anwar Sadat and Israeli Prime Minister Menahem Begin to announce their agreement on a framework for a "just, comprehensive, durable settlement" for the Middle East. They invite the other parties in the Arab-Israeli conflict to agree to the 2 pacts they have formulated.

The first pact covers the Sinai and the second the Gaza Strip and the West Bank of the Jordan River. The "agreed basis for a peaceful settlement of the conflict between Israel and its neighbors is U.N. Security Council Resolution 242 in all its parts [this recognizes] Israel's right to exist." The participants agree that Egypt, Israel, Jordan and the Palestine Liberation Organization representatives should "participate in negotiations on the resolution of the Palestinian problem in all its aspects." A transitional transfer of government is arranged for the West Bank of the Jordan River with the aim of eventual self-government.

"In order to achieve peace between them, Israel and Egypt agree to negotiate in good faith with a goal of concluding within three months of the signing of this framework a peace treaty between them" to include: the exercise of Egyptian sovereignty over territory to the border of mandated Palestine, the withdrawal of Israeli armed forces from the Sinai, the use of the Israeli-abandoned airfields by Egypt for civilian purposes only, the right of free passage through the Suez Canal for Israeli ships, the construction of a highway between the Sinai and Jordan with free passage for Egypt and Jordan, and various restrictions with regard to the stationing of military forces.

Sept. 18—In an address outlining the Camp David accords, President Jimmy Carter tells a televised joint session of Congress that he is sending U.S. Secretary of State Cyrus Vance to the Middle East to win support for the Camp David agreements.

Sept. 19—The governments of Jordan and Saudi Arabia criticize the Camp David agreement and fail to approve its terms.

Sept. 20—U.S. Secretary of State Cyrus Vance sees Jordanian King Hussein in an effort to win his approval of the terms of the Camp David agreements.

Syrian President Hafez Assad says that Egyptian President Anwar Sadat "defected to the enemy" at Camp David.

In Cairo, Egyptian President Sadat announces that he will sign a peace treaty with Israel in 2 months.

U.S. Secretary of State Vance arrives in Saudi Arabia to seek support from Saudi Arabian King Khaled for the Camp David agreements.

Sept. 23—The leaders of the PLO meet with foreign ministers from Syria, Algeria, South Yemen and Libya for the 4th day in Damascus, Syria; they agree to a military pact and an economic boycott of Egypt, among other measures.

At a news conference in Amman, Jordan's King Hussein repeats his objections to the Camp David summit agreements; they fail to call for complete Israeli withdrawal from Arab territory and they do not guarantee the right of the Palestinians to form their own state. He refuses to join in negotiations unless the agreements are modified.

Sept. 24—U.S. Secretary of State Cyrus Vance ends a 5-day trip to the Middle East, after an inconclusive meeting with Syrian President Hafez Assad in Damascus.

Sept. 26—Arab ambassadors meet in Cairo with Egyptian Acting Foreign Minister Butros Ghali, who is trying to win support for the Camp David agreements. Ghali succeeds Ibrahim Kamel, who resigned on September 15. Syrian President Hafez Assad ends talks in Amman, Jordan, and flies to Riyadh, Saudi Arabia, for talks there; Assad is encouraging Arab resistance to the Camp David agreements.

Sept. 28—At a nationally televised news conference at the White House, U.S. President Carter says that Israeli Prime Minister Begin and President Sadat of Egypt have assured him that there are "no remaining obstacles" to the conclusion of a peace treaty between Israel and Egypt. He also declares that "it's time to take joint action to call a conference" to end the fighting in Lebanon.

Organization of American States (OAS) (See *Nicaragua*)

United Nations

(See also *South Africa*)

Sept. 15—The U.N. Law of the Sea Conference ends 4 weeks of meetings in New York and its session for 1978, with little progress.

Sept. 19—The 33d session of the General Assembly opens in New York; Colombian Foreign Minister Indalecio Lievano Aguirre is elected Assembly president.

BRAZIL

Sept. 23—Congress repeals a 1968 law that gave President Ernesto Geisel almost unlimited authority during a "state of emergency."

CHINA

(See also *France; Iran*)

Sept. 27—In Athens, Foreign Minister Huang Hua ends 4 days of discussion with Greek Foreign Minister George Rallis.

In Peking, Nepalese Prime Minister Kirtinidhi Bista arrives for an official visit. He is met at the airport by Premier Hua Kuo-feng and Deputy Premier Teng Hsiao-ping.

CUBA

(See also *Ethiopia; U.S., Legislation*)

Sept. 7—President Fidel Castro meets in Havana with 11 visiting Cuban journalists who have been in exile since Castro came to power in 1959.

Sept. 15—In Miami, a jet airliner arrives from Cuba carrying 132 Cuban-Americans recently allowed to leave Cuba.

EGYPT

(See also *Intl, Middle East; U.S., Foreign Policy*)

Sept. 19—It is reported that on September 15 Foreign Minister Ibrahim Kamel, a member of the peace delegation meeting at Camp David, Maryland, resigned his Cabinet post. He reportedly differed with Egyptian President Anwar Sadat on the agreements.

Sept. 23—President Sadat returns to Cairo.

ETHIOPIA

Sept. 12—Cuban President Fidel Castro arrives in Addis Ababa to meet with military leader Mengistu Haile

Mariam. The government is celebrating the 4th anniversary of the overthrow of Emperor Haile Selassie.

FRANCE

Sept. 14—The government files a \$300-million suit against Amoco International Oil Company for damages along the Brittany coast caused by the March, 1978, oil spill from the tanker *Amoco Cadiz*.

Sept. 18—In Peking, Gaullist leader and Mayor of Paris Jacques Chirac arrives for a visit with Chinese leaders.

GERMANY, WEST

Sept. 1—Parliament meets in emergency session and votes to deny immunity to a Social Democratic member of Parliament and chairman of the Bundestag Committee for Economic Cooperation, Uwe Holtz. Holtz has been named as a member of a spy ring inside the German government by a Romanian secret agent, Lieutenant General Ion Pacepa, who defected from Romania to the United States last month.

Sept. 7—In Duesseldorf, police kill Willy-Peter Stoll, a suspect in the 1977 murder of industrialist Hanns-Martin Schleyer.

Sept. 16—West German Housing Minister Dieter Haack ends a 4-day visit to East Germany. He is the first Bonn government official to pay an official visit to East Germany.

GREECE

(See *China*)

ICELAND

Sept. 2—Olafur Johannesson, left-wing leader of the Center-Progressive party, forms a coalition government including the Communist party and the Social Democratic party.

INDIA

Sept. 11—The Agriculture Ministry reports that the official death toll as a result of flooding from the Ganges River in northern and western India has reached 1,023. The flooding is thought to be the worst of this century.

INDONESIA

Sept. 22—It is reported that Haji Ismail Pranoto, leader of the Muslim movement, Komando Jihad, has been sentenced to life imprisonment for inciting a rebellion against the government.

IRAN

(See also *U.S., Foreign Policy*)

Sept. 1—In Teheran, Chinese Premier Hua Kuo-feng ends a 3-day official visit; he conferred with Shah Riza Pahlevi.

Sept. 4—Hundreds of thousands of demonstrators across the country protest the government's policies and demand that exiled religious leader Ayatollah Ruhollah Khomeini be permitted to return to Iran.

Sept. 7—In Teheran, hundreds of thousands of political and religious demonstrators defy the government's September 6 ban on political demonstrations.

Sept. 8—The Shah declares martial law in Teheran and 11 other cities in an attempt to control the growing disorders.

In Teheran, army troops fire into a crowd of demonstrators, reportedly killing 100 and wounding 205.

Sept. 9—The Shah postpones his trip to Romania and East Germany because of violence at home.

Sept. 11—The government announces the arrests of 8 officials on charges of corruption.

Sept. 12—Agents of SAVAK, the secret police, begin a crackdown on Muslim radicals and other anti-Shah activists.

Sept. 13—An opposition member tells Parliament that the death toll in the September 8 Teheran shooting by police was actually nearly 3,000, instead of the 97 reported by the government.

Sept. 16—In northeast Iran, an earthquake measuring 7.7 on the Richter scale kills more than 11,000 people in Tabras and approximately 5,000 others in outlying areas.

ISRAEL

(See also *Intl. Middle East; U.S., Foreign Policy*)

Sept. 17—The Israeli Supreme Court orders a halt to construction of a new Jewish settlement on the occupied West Bank of the Jordan River.

Sept. 19—To protest the Camp David accord, ultranationalists seize a hilltop in the occupied West Bank area and establish a "settlement."

Sept. 21—After ignoring a Cabinet ultimatum evicting them from the new settlement, the ultranationalists are forcibly removed by Israeli army troops.

Sept. 24—The Israeli Cabinet votes 11 to 2 to approve the Camp David agreement and to endorse "in principle" the removal of more than 20 Israeli settlements from the Sinai.

Sept. 28—In Jerusalem, the Knesset votes 85 to 19 (with 16 abstentions), to approve the accord reached at Camp David for the withdrawal of Israeli settlements from the Sinai peninsula.

ITALY

Sept. 21—In Milan, terrorist Corrado Alunni, alleged leader of the Red Brigades who kidnapped and murdered former Prime Minister Aldo Moro, is sentenced to 12 years in prison on charges of possessing illegal weapons. The government brought Alunni to trial on lesser charges to avoid a lengthy trial.

Sept. 28—For the first time in 3 months, Red Brigade guerrillas resume terrorist activities; they shoot and kill a worker in Turin.

JAPAN

(See also *U.S., Foreign Policy*)

Sept. 2—In Tokyo, Prime Minister Takeo Fukuda and economic officials approve a \$13.2-billion plan to increase the country's economic growth rate to 7 percent per annum and to cut its trade and balance-of-payments surplus.

Sept. 5—Prime Minister Fukuda and Foreign Minister Sunao Sonoda leave Tokyo on a 10-day official tour of the Middle East.

JORDAN

(See *Intl. Middle East*)

KOREA, SOUTH

(See *U.S., Military*)

LEBANON

Sept. 8—In Beirut, fighting continues between Syrian peacekeeping troops and Christian militiamen.

Sept. 18—In the United Nations, the Security Council votes to extend for 4 more months the U.N. peacekeeping force of 6,000 soldiers in southern Lebanon.

Sept. 29—Fighting between Syrian forces and Christian

militiamen continues in Beirut and the suburban Christian area of Hadath.

NAMIBIA

(See also *South Africa*)

Sept. 9—In the United Nations, Secretary General Kurt Waldheim proposes a 7,500-man U.N. force to ensure the transition to independence in Namibia.

Sept. 22—In response to South Africa's decision to hold elections in Namibia in November without U.N. sponsorship, Mishake Muyongo, vice president of the Southwest African People's Organization (SWAPO), says that his people will "never" participate in any government that is elected under the auspices of South Africa.

NEPAL

(See *China*)

NICARAGUA

Sept. 1—In Matagalpa, government troops attack rebel fortifications and take control of the city. The rebels held the city for 5 days.

Sept. 5—The nationwide general strike continues into its 12th day. All businesses except those owned by President Anastasio Somoza and his family and supporters are closed down to protest Somoza's regime.

Sept. 12—President Somoza says that the National Guard is calling up reservists and recruiting civilian government employees to reinforce its troops.

Sept. 13—In Leon, the country's 2d largest city, fighting erupts between government troops and rebels.

The opposition factions agree to form a 3-member commission to negotiate a cease-fire and to confer with outside mediators.

Sept. 15—The government begins heavy rocket and air attacks on the rebel-held town of Leon.

In Washington, D.C., the U.S. State Department urges Somoza to accept outside mediators to resolve the issues.

Sept. 16—Government troops reportedly recapture the rebel stronghold of Leon.

Sept. 21—In Esteli, the last Sandinista guerrilla stronghold, National Guard planes attack the city with rocket and machine-gun fire. According to a Red Cross official, "the whole town is a cemetery."

Sept. 23—Meeting in Washington, D.C., the members of the Organization of American States rule out any OAS involvement in Nicaragua.

Sept. 25—President Somoza agrees to accept U.S. assistance in finding a peaceful solution to the civil crisis in Nicaragua.

Sept. 27—In order to begin negotiations, the government accedes to some of the opposition's demands and releases an unspecified number of political prisoners.

Sept. 28—President Somoza accepts a proposal for a 5-nation mediating panel to help settle the civil crisis. He reaffirms his intention of staying in office until the 1981 scheduled elections.

PAKISTAN

Sept. 14—A government White Paper reports that former Prime Minister Zulfikar Ali Bhutto received between \$2 million and \$3 million from a "foreign head of state" for "election purposes."

Sept. 17—General Zia al-Haq is sworn in as President.

PANAMA

Sept. 1—General Omar Torrijos announces that he will

step down as chief of the government when his term expires on October 11; however, he will retain his position as head of the National Guard, the country's military force.

PERU

Sept. 5—The government imposes a dawn to dusk curfew at the Marcona iron mine and in the surrounding area; the miners have been on strike since August 4.

Sept. 17—The government announces the resignations of 3 Cabinet members.

PORUGAL

Sept. 14—The coalition government of Prime Minister Alfredo Nobre Da Costa is defeated on a parliamentary motion submitted by the Socialists. The vote was 141 to 71 with 40 abstentions.

RHODESIA

Sept. 2—In Salisbury, Rhodesian Prime Minister Ian Smith admits that he held secret talks in Lusaka with guerrilla leader Joshua Nkomo 3 weeks ago.

Sept. 3—In the bush country near the northern border with Zambia, a Rhodesian civil aircraft carrying 56 passengers crashes, killing 38. Black guerrillas kill 10 of the 18 survivors.

Sept. 5—In Salisbury, Joshua Nkomo says that his guerrillas shot down the Rhodesian plane but that they did not take part in murdering the survivors. Nkomo says that the guerrillas thought the plane was carrying Rhodesian troops and matériel.

Sept. 6—In a nationwide address, Prime Minister Smith expresses his "rage and fury" at the murder of white survivors of the September 3 plane crash. He promises "positive and firm" action to improve the deteriorating military situation.

Sept. 7—Co-Minister of Transport William Irvine says the preliminary investigation into the cause of the air crash indicates that the plane was hit by a heat-seeking missile.

Sept. 10—Prime Minister Smith declares martial law in parts of Rhodesia and says the government will bear down on groups that support the black nationalist guerrillas who are trying to overthrow the biracial government from outside Rhodesia.

Sept. 13—The government estimates that about 300 black nationalist officials have been taken prisoner by the government in the last week.

Sept. 14—Smith announces that the biracial transitional government is banning the black nationalist parties of Joshua Nkomo and Robert Mugabe.

Sept. 16—Ndabani Sithole, a member of the transitional government, announces that black Rhodesians will be drafted into the army and that they will have the same military obligation as whites.

Sept. 24—A military spokesman reports that government troops have completed 4 days of raids on 25 guerrilla bases in Mozambique. The spokesman says 2 Rhodesian soldiers were killed and that the number of guerrillas killed is "believed to run into hundreds."

Sept. 29—In an address to Parliament, Smith blames the U.S. and Britain for the continuing fighting in Rhodesia charging that those nations support the Patriotic Front "terrorists."

Sept. 30—The British Foreign Office issues an order prohibiting Prime Minister Smith from entering Britain, even to change planes, because Britain regards Smith as an outlaw. Smith has accepted an invitation from 27 U.S. Senators to visit the U.S.; however, the U.S. government

has not yet decided whether to grant him a visa.

ROMANIA

Sept. 1—It is reported that 12 senior army and security officers were arrested in Bucharest after the defection in late July of Lieutenant General Ion Pacepa, who is reported to be in the United States.

Sept. 9—In an ongoing security crackdown, Interior Minister Teodor Coman loses his Cabinet post. He was in charge of security services and the police.

SAUDI ARABIA

(See *Intl. Middle East*)

SOUTH AFRICA

Sept. 21—Prime Minister John Vorster announces that his government will not accept the U.N. plan for the independence of Namibia. He calls for national elections in Namibia without U.N. supervision on November 20-24. In Pretoria, Prime Minister Vorster resigns; he says he will remain in office until the National party selects his successor on September 28.

Sept. 28—The ruling National party caucus selects Pieter W. Botha to succeed John Vorster as Prime Minister.

Sept. 30—In response to the U.N. Security Council decision yesterday to send 7,500 soldiers to Namibia to monitor the elections, Prime Minister Botha says that South Africa will not be dissuaded by "those who think they can chase us around."

SYRIA

(See *Intl. Middle East*)

THAILAND

(See *Vietnam*)

TURKEY

(See also *U.S., Foreign Policy*)

U.S.S.R.

(See also *Intl. Arms Limitation; U.S., Foreign Policy*)

Sept. 2—It is reported that the Soviet Union has completed an airlift of Soviet technicians and military equipment to Vietnam to replace the Chinese technicians who left Vietnam during the summer.

Sept. 5—Foreign Minister Andrei A. Gromyko criticizes the current talks on the Middle East at Camp David.

UNITED KINGDOM

Great Britain

Sept. 6—Labor union leaders reject Prime Minister James Callaghan's request that they limit pay increases to 5 percent.

Sept. 7—In an unexpected move, Prime Minister Callaghan announces that there will be no general election this fall.

Sept. 19—A Foreign Ministry report says that 2 major British oil companies, British Petroleum and Royal Dutch Shell, broke economic sanctions against Rhodesia by substituting French oil for British oil with the full knowledge and silent consent of the Wilson government

UNITED STATES

Administration

Sept. 4—President Jimmy Carter meets at the White House with General Services Administration (GSA) head Jay Solomon to hear reports about the ongoing investigation into corruption in the GSA.

Sept. 8—The GSA announces federal regulations to be published in the September 11 *Federal Register* to curb smoking in the most commonly used rooms in government buildings around the country.

The GSA transfers the managers of 20 federal buildings in Washington, D.C., to jobs other than building management.

Sept. 11—A spokesman for the Justice Department reports that the department is investigating reports that fugitive financier Robert Vesco paid a group of Georgia businessmen to approach friends in the Carter administration to aid him with his legal problems.

The Environmental Protection Agency issues proposed new strict rules calling for expensive scrubber systems on the projected 200 new coal power plants to be built by 1990; the regulations will be issued in final form in 6 months.

Sept. 12—Under the Clean Air Act Amendments of 1977, the Environmental Protection Agency bans the use of methyl cyclopentadienyl (MMT) as an additive in unleaded gasoline because it contributes to pollution by increasing hydrocarbon emissions; the ban takes effect October 27.

Sept. 13—The new 13-member federal Ethics Advisory Board opens 2 days of hearings to consider lifting the government ban on the test-tube study of human embryos; the board will make recommendations to Secretary of Health, Education and Welfare Joseph Califano, Jr.

Sept. 19—Jay Solomon tells the Senate Governmental Affairs Subcommittee that the fraud so far uncovered at the GSA is "only the beginning."

Sept. 20—Gary Rowe, Jr., a Federal Bureau of Investigation informer in the Ku Klux Klan in the 1960's, is indicted by an Alabama grand jury for the killing of civil rights worker Viola Liuzzo in 1965.

Attorney General Griffin Bell appoints William Lynch to head a Justice Department strike force to coordinate the investigations of various federal agencies into the GSA corruption scandals.

Sept. 25—In the worst air disaster in U.S. history, a Pacific Southwest Airlines Boeing 727 collides over San Diego with a small plane and crashes; all 136 people on the PSA jetliner and the 2 in the small plane are killed; at least 13 persons are killed on the ground by the flaming wreckage.

In testimony prepared for delivery to a House subcommittee on airline safety tomorrow, Air Line Pilots Association president John O'Donnell asks the Federal Aviation Administration to implement a collision avoidance system.

Sept. 29—In Baltimore, Maryland, a federal grand jury indicts 18 persons for defrauding the GSA.

Civil Rights

Sept. 7—Secretary of the Interior Cecil Andrus arrives in Klamath, California, to help resolve disputes about Yurok Indian salmon-fishing rights in the Klamath River.

Sept. 11—The Justice Department asks the U.S. district court in Portland, Maine, for a 6-month extension to file an amended complaint in the land-claims suit of the Penobscot and Passamaquoddy Indian tribes against the state of Maine.

Sept. 12—Mandatory busing to achieve court-ordered racial integration in Los Angeles begins; there is some boycotting of the program by San Fernando Valley parents and children.

Sept. 14—In Washington, D.C., Roy Innis announces his reelection as chairman and director of the Congress of Racial Equality (CORE); the election took place September 8-10 at a CORE convention in Pittstown, New Jersey.

Sept. 19—For the second time, Judge William Arnold of the Bergen County, New Jersey, Superior Court cites *New York Times* reporter M.A. Farber for contempt for refusing to turn over his notes on the murder case against Dr. Mario Jascalevich.

Sept. 26—Associate Supreme Court Justice Potter Stewart stays the "execution of the judgment of the Supreme Court of New Jersey," which would have returned M.A. Farber to jail and would have reinstated fines against *The New York Times*.

Economy

Sept. 1—The Labor Department reports that unemployment fell to 5.9 percent in August.

Sept. 8—The Labor Department reports that the wholesale price index fell 0.1 percent in August, the 1st such decline in 2 years.

Sept. 26—The Labor Department reports that its consumer price index rose by 0.6 percent in August.

At a White House press conference, President Jimmy Carter tells of his new export promotion policy to provide financial help, technical advice and the easing of some trade restrictions.

Sept. 27—The Commerce Department reports that the U.S. balance of trade deficit dropped to \$1.62 billion in August.

In Zurich, the dollar closes at 1.4905 Swiss francs to the dollar.

Sept. 29—The Commerce Department reports that its index of leading economic indicators rose 0.8 percent in August.

Foreign Policy

(See also *Intl. Middle East; Nicaragua*)

Sept. 1—President Jimmy Carter asks Vice President Walter Mondale "to assume responsibility for virtually all the other activities of government" during the Camp David conference.

Sept. 4—President Carter leaves the White House for Camp David, Maryland, to prepare for his meeting with Egyptian President Anwar Sadat and Israeli Prime Minister Menahem Begin; the President tells reporters that "the prospects for complete success are very remote."

Sept. 6—The Commerce Department confirms the fact that President Carter has reaffirmed his decision to allow Dresser Industries of Dallas, Texas, to sell advanced oil-drilling equipment to the Soviet Union.

Sept. 8—U.S. and Japanese officials conclude 3 days of talks on agricultural products quotas and other economic matters.

International Harvester Company executive Francis Crawford receives a 5-year suspended sentence in a Moscow court on charges that he was involved in black market currency operations; he leaves Moscow for the U.S.

Sept. 10—President Jimmy Carter telephones the Shah of Iran from Camp David to express his regret with regard to the recent mob violence in Iran and to express the hope that moves toward political liberalization in Iran will continue.

Sept. 12—A notice in the *Federal Register* states that President Carter is extending the U.S. trade embargo against Hanoi.

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Sept. 26—President Carter signs the \$2.8-billion International Security Assistance Act, which authorizes him to end the embargo on U.S. arms for Turkey; he formally ends the ban.

Labor and Industry

Sept. 4—The U.S. Postal Service and representatives of 3 major employee unions begin face-to-face negotiations with special federal mediator James Healy; the 2 parties have 15 days to reach a negotiated settlement; if no decision is reached, Healy will issue a binding arbitration decision.

Sept. 15—Special federal mediator James Healy issues a binding contract settlement for the U.S. Postal Service and its union members, including an increase in wages of 21.3 percent over 3 years, a provision for higher wages if the rate of inflation increases, and a lay-off clause for workers hired in the future.

Sept. 20—President Jimmy Carter tells the United Steel Workers Convention in Atlantic City that he expects to announce "tough" new anti-inflation guidelines; he asks for "restraint and some sacrifice from all."

Kenneth Moffett, deputy director of the Federal Mediation and Conciliation Service, summons both sides in the New York City newspaper strike to negotiations in Washington, D.C.; the labor dispute that started on August 10 has shut down the 3 major New York newspapers.

Sept. 26—Norfolk and Western Railway clerks (belonging to the Brotherhood of Railway and Airline Clerks) whose strike began July 10 have been joined by other union members; the strike spreads to 43 other railroads and affects 2/3 of the nation's rail traffic.

Sept. 27—Secretary of Labor Ray Marshall orders representatives of the striking clerks' union and the Norfolk and Western Railway to a 24-hour bargaining session with a Labor Department mediator in Washington, D.C.

Sept. 28—President Carter invokes the emergency powers of the National Railway Labor Act, which requires railroad workers to return to work for 60 days while a 3-member emergency board recommends a settlement.

Sept. 30—In response to the temporary injunction issued by Judge Aubrey Robinson, Jr., on September 29 in U.S. district court in Washington, D.C., striking railway clerks return to their jobs, and trains begin to move again.

Legislation

(See also *Administration*)

Sept. 6—Former Texas Governor John Connally and his wife Nellie testify before the House Assassinations Committee about the November, 1963, slaying of President John Kennedy; Connally was wounded in the attack.

Sept. 7—A panel of medical experts, testifying before the House Assassinations Committee, support the findings of the Warren Commission about the assassination of President John Kennedy.

The House votes 206 to 191 against a resolution to override President Carter's veto of the \$37-billion defense authorization bill.

Sept. 11—New Jersey is the first state to ratify the constitutional amendment giving the District of Columbia full voting representation in Congress.

Sept. 13—The House Committee on Standards of Official Conduct (Ethics Committee) votes unanimously to file charges against Representative Joshua Eilberg (D., Pa.) for breaking House rules and federal law when his law firm reimbursed him while the firm was helping Philadelphia's Hahnemann Hospital to obtain a federal grant to build a hospital addition.

Sept. 18—The House votes 395 to 7 to approve a bill that curtails the legal immunity of foreign embassy personnel in this country; the Senate passed the bill August 17.

Sept. 19—In a tape recording played in the House Assassinations Committee, Cuban President Fidel Castro denies that he was implicated in the death of President John Kennedy.

Sept. 23—Voting 47 to 7, the Senate approves a compromise budget resolution calling for a ceiling of \$487.5 billion, with a deficit of \$38.8 billion. The House approved the resolution September 21, 225 to 152.

Sept. 27—The Senate votes 86 to 9 to approve a \$10.2-billion public works appropriations bill; the House passed the bill 319 to 71. At a White House meeting, President Jimmy Carter tells congressional leaders that he will veto the bill.

By a 57-42 vote after 18 months of debate, the Senate passes a compromise bill that will phase out federal price controls on new natural gas by 1985.

Military

Sept. 19—The Defense Department informs Congress that it plans to sell \$297 million in war materials and services to Austria and Iran; Congress has 30 days to review the sale.

The Defense Department says that the army has reduced its forces in South Korea by some 2,000 men in recent months.

VATICAN

Sept. 4—In Vatican City, John Paul I is installed as Pope.

Sept. 29—Pope John Paul dies of a heart attack.

VIETNAM

(See also *U.S.S.R.; U.S., Foreign Policy*)

Sept. 6—Premier Pham Van Dong arrives in Bangkok for a 5-day visit with Thai officials.

Sept. 25—Hanoi's official army newspaper charges that China has sent troops to the border area between the two countries.

YEMEN

Sept. 7—In Iraq, Baghdad radio reports that 7 people accused of involvement in the assassination of President Ahmed Ghasmi have been executed by firing squad. ■

BOOK REVIEWS

(Continued from page 179)

in this latter stage in Japan. He believes that post-industrialism induces political change. O.E.S.

JAPAN'S POLITICAL SYSTEM. By Robert E. Ward (Englewood Cliffs: Prentice-Hall, Inc., 1978. 253 pages, appendices and index, \$7.95.)

Before the Restoration of 1868 Japan was a feudal society. Now, only a little over 100 years later, Japan is a modern industrialized country with a thriving international trade. Robert Ward describes the political history of Japan from her early days of isolation to the present, when she occupies "a truly crucial position in world politics as well as in Asian politics." O.E.S. ■